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If you have sold or transferred all your shares in **EPI (Holdings) Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or transferee(s), or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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VERY SUBSTANTIAL ACQUISITION AND PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

A notice convening a special general meeting of EPI (Holdings) Limited to be held at Room 3203, Admiralty Centre I, 18 Harcourt Road, Admiralty, Hong Kong at 10:30 a.m. on Wednesday, 28 October 2009 is set out on pages 220 to 222 of this circular. Whether or not you are able to attend the meeting in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at Tricor Tengis Limited, the branch share registrar and transfer office of EPI (Holdings) Limited in Hong Kong, at 26/F, 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 the 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 adjourned meeting should you so wish and in such event the form of proxy shall be deemed to be revoked.

* For identification purpose only

9 October 2009

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DEFINITIONS

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

“Acquisition”	the acquisition of the entire issued share capital of Have Result by the Purchaser from the Vendors pursuant to the Agreement
“Additional CB”	the convertible note(s) which may have to be issued by the Company to the Vendors or their respective nominee(s) in accordance with the terms of the Agreement subject to the findings of an updated technical report on the Areas to be issued within two years after the date of Completion by an independent technical adviser to be appointed by the Company
“Additional Conversion Shares”	the new Shares which shall be issued and allotted to the holder(s) of the Additional CB upon exercise of the conversion rights attached to the Additional CB
“Agreement”	the agreement dated 19 August 2009 entered into among the Purchaser, the Company and the Vendors in relation to the Acquisition
“Areas”	the Puesto Pozo Cercado Area and the Chañares Herrados Area covering an aggregate area of 210 square kilometers located in Cuyana Basin, Mendoza Province of Argentina, of which Chañares is the concessionaire of the exploitation concessions granted by the relevant government authority of Argentina
“Assignment Agreement”	the agreement entered into between Maxipetrol and Have Result on 24 November 2007 (as amended and supplemented on 12 December 2007, 28 December 2007 and 19 December 2008) for the assignment of rights by Maxipetrol to Have Result and the investment and technical cooperation between the parties in relation to the Areas
“BMI”	BMI Appraisals Limited, an independent valuation firm appointed by the Company to perform a valuation on Have Result
“Board”	the board of Directors
“CB”	the 20-year zero-coupon convertible note(s) in the aggregate principal amount of HK\$2,311,520,000 to be issued by the Company to the Vendors or their respective nominee(s) as part of the Consideration

DEFINITIONS

“Chañares”	Chañares Herrados Empresa de Trabajos Petroleros S.A., the holder of the hydrocarbons exploitation concessions of the Areas
“City Smart”	City Smart International Investment Limited, a company incorporated in the British Virgin Islands
“Company”	EPI (Holdings) Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 689)
“Completion”	completion of the Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration payable in respect of the Acquisition pursuant to the Agreement
“Consideration Shares”	1,000,000,000 new Shares to be issued and allotted by the Company to the Vendors or their respective nominee(s) as part of the Consideration
“Conversion Share(s)”	the new Share(s) which shall be issued and allotted to the holder(s) of the CB upon exercise of the conversion rights attached to the CB
“Director(s)”	the director(s) of the Company
“Enlarged Group”	the Group as enlarged by the Acquisition
“First Sale Shares”	the 6,200 shares with par value of US\$1.0 each in the share capital of Have Result, representing 62% of the entire issued share capital of Have Result as at the date of the Agreement
“Group”	the Company and its subsidiaries
“Have Result”	Have Result Investments Limited (有成投資有限公司), a company incorporated in the British Virgin Islands
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China
“JV Agreement”	the joint venture agreement dated 14 November 2007 (as amended and supplemented on 30 December 2008) entered into between Chañares and Maxipetrol in connection with the development of incremental production in the Areas

DEFINITIONS

“Last Trading Day”	19 August 2009, being the date of the Agreement and the last trading day of the Shares before the announcement of the Acquisition
“Latest Practicable Date”	7 October 2009, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Maxipetrol”	Maxipetrol-Petroleros de Occidente S.A. (formerly known as Oxipetrol-Petroleros de Occidente S.A.)
“NSAI”	Netherland, Sewell & Associates, Inc., a technical adviser with appropriate qualification appointed by the Company to perform technical review on the petroleum resources in the Areas
“PN”	the HK\$840,000,000 3-year promissory note to be issued by the Company to City Smart or its nominee(s) at Completion as part of the Consideration
“Prime Rate”	the prime rate for Hong Kong dollars from time to time quoted by The Hongkong and Shanghai Banking Corporation Limited
“PRMS”	the 2007 Petroleum Resources Management System approved by the Society of Petroleum Engineers
“Purchaser”	Mission Central Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
“Second Sale Shares”	the 3,800 shares with par value of US\$1.0 each in the share capital of Have Result, representing 38% of the entire issued share capital of Have Result as at the date of the Agreement
“SGM”	the special general meeting of the Company to be convened and held for the Shareholders to consider and, if thought fit, approve, among other things, the proposed increase in authorised share capital of the Company, the Acquisition and the transactions contemplated under the Agreement (including the issue of the Consideration Shares, the CB, the PN, the Conversion Shares, the Additional CB and the Additional Conversion Shares)
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of the Company

DEFINITIONS

“Shareholder(s)”	holder(s) of the Shares
“Share Options”	the 181,880,000 outstanding share options of the Company issued under the share option scheme of the Company adopted on 6 November 2006
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Code on Takeovers and Mergers
“TCL”	TCL Peak Winner Investment Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of TCL Corporation whose issued shares are listed on the Shenzhen Stock Exchange (Stock code: 000100)
“Updated Technical Report”	a technical report on the Areas to be issued within two years subsequent to Completion by NSAI or such technical adviser qualified under the Listing Rules and appointed by the Purchaser
“UTE”	the temporary union of enterprises organised under the terms of the UTE Agreement in the name of “Have Result Investments Limited – Maxipetrol Petroleros de Occidente S.A. Temporary Union of Enterprises”
“UTE Agreement”	the temporary union of enterprises agreement entered into between Maxipetrol and Have Result dated 6 August 2009 in connection with the respective rights and obligations and the cooperation between the parties thereto in connection with the petroleum production in the Areas under the Assignment Agreement
“Vendors”	City Smart and TCL
“6-month HIBOR”	in relation to any period with respect to which the interest on the outstanding amount of the PN is to be calculated, the rate at which deposits of Hong Kong dollars for a period of six months in an amount comparable to the outstanding amount of the PN were offered at or about 11:00 a.m. (Hong Kong time) on the first day of such period by The Hongkong and Shanghai Banking Corporation Limited to financial institutions in the Hong Kong interbank market for delivery on the same date
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of America

For illustration only, amounts in US\$ in this circular have been translated into HK\$ at the exchange rate of US\$1.0 = HK\$7.8.

LETTER FROM THE BOARD



(Incorporated in Bermuda with limited liability)
(Stock Code: 689)

Executive Directors:

Mr. Wong Chi Wing, Joseph
Mr. Chu Kwok Chi, Robert

Non-executive Director:

Mr. Leung Hon Chuen

Independent non-executive Directors:

Mr. Qian Zhi Hui
Mr. Poon Kwok Shin, Edmond

Registered office:

Clarendon House
2 Church Street
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Bermuda

*Head office and
principal place of business
in Hong Kong:*

Room 6303, 63/F
Central Plaza
18 Harbour Road
Wanchai
Hong Kong

9 October 2009

To the Shareholders

Dear Sirs,

VERY SUBSTANTIAL ACQUISITION AND PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

INTRODUCTION

On 25 August 2009, the Board announced that the Purchaser, the Company and the Vendors entered into the Agreement after the Stock Exchange trading hours on 19 August 2009. Pursuant to the Agreement, City Smart has agreed to sell to the Purchaser the First Sale Shares and TCL has agreed to sell to the Purchaser the Second Sale Shares. The First Sale Shares and the Second Sale Shares together represent the entire issued share capital of Have Result, which is principally engaged in petroleum production in the Areas located in Argentina.

The Consideration for the Acquisition is HK\$3,341,520,000 and shall be satisfied by the Group at Completion (i) as to HK\$840,000,000 by the issue of the PN; (ii) as to HK\$190,000,000 by the issue and allotment of the Consideration Shares; and (iii) as to the balance of HK\$2,311,520,000 by the issue of the CB. Additional consideration up to HK\$1,000,000,000 may be payable by the Group by way of the issue of the Additional CB in the event that the Updated Technical Report to be issued within two years subsequent to

* For identification purpose only

LETTER FROM THE BOARD

Completion shows that the proved reserves (as defined in the PRMS) of oil in the Areas exceed certain specified volume as mentioned in the section headed “Possible adjustment to the Consideration” below.

The Board also proposes to increase the authorised share capital of the Company from HK\$250,000,000 divided into 25,000,000,000 Shares to HK\$1,000,000,000 divided into 100,000,000,000 Shares by the creation of an additional 75,000,000,000 unissued Shares.

The Acquisition constitutes a very substantial acquisition of the Company under the Listing Rules and is subject to, among others things, the approval of the Shareholders. The proposed increase in authorised share capital of the Company is also subject to the approval of the Shareholders. The SGM will be held to consider and, if thought fit, approve the resolutions in relation to the Acquisition and the proposed increase in authorised share capital of the Company.

The purpose of this circular is to provide you with, among other things, (i) details of the Acquisition and the transactions contemplated under the Agreement; (ii) financial information of the Group and Have Result; (iii) a technical report on the Areas in accordance with the requirements under Chapter 18 of the Listing Rules; (iv) a valuation report on Have Result; (v) details of the proposed increase in authorised share capital of the Company; and (vi) a notice convening the SGM.

THE AGREEMENT

Date

19 August 2009

Parties

- (i) the Purchaser (being Mission Central Limited, a wholly-owned subsidiary of the Company);
- (ii) the Vendors (being City Smart and TCL); and
- (iii) the Company (being the guarantor for certain warranties in relation to the Group under the Agreement).

To the best of the Directors’ knowledge, information and belief and having made all reasonable enquiries, the Vendors are investment holding companies and the Vendors and their respective beneficial owners are third parties independent of the Company and its connected persons. As announced by the Company on 29 July 2009, a subsidiary of the Company entered into the heads of agreement dated 29 July 2009 (the “Heads of Agreement”) with City Smart in relation to a possible investment in Argentina which is subsequently formalised by the Agreement. Save for the Heads of Agreement, the Group has not engaged in any previous transactions which were related to the Acquisition or with either of the Vendors in the last 12 months which would otherwise require aggregation under Rule 14.22 of the Listing Rules.

LETTER FROM THE BOARD

Assets to be acquired

Pursuant to the Agreement, City Smart has agreed to sell to the Purchaser the First Sale Shares and TCL has agreed to sell to the Purchaser the Second Sale Shares. The First Sale Shares and the Second Sale Shares respectively represent 62% and 38% (and together, 100%) of the entire issued share capital of Have Result.

Consideration

The total consideration for the Acquisition is HK\$3,341,520,000, subject to possible adjustment as described in the section headed “Possible adjustment to the Consideration” below, and shall be satisfied at Completion as follows:

- (i) as to HK\$840,000,000 by the issue of the PN by the Company to City Smart or its nominee(s);
- (ii) as to HK\$190,000,000 by the issue of the Consideration Shares by the Company to the Vendors (or their respective nominees) at the issue price of HK\$0.19 each, with 380,000,000 Shares to be issued and allotted to City Smart or its nominee(s) and 620,000,000 Shares to be issued and allotted to TCL or its nominee(s); and
- (iii) as to the balance of HK\$2,311,520,000 by the issue of the CB by the Company to the Vendors (or their respective nominees), with CB in the principal amount of HK\$1,478,742,400 to be issued to City Smart or its nominee(s) and CB in the principal amount of HK\$832,777,600 to be issued to TCL or its nominee(s).

The Consideration of HK\$3,341,520,000 was determined after arm’s length negotiations between the parties. The Company has engaged BMI to prepare a valuation report on Have Result and has engaged NSAI to prepare a technical report on the Areas. The valuation report on Have Result has been prepared using market approach, based on the consideration for other reported petroleum or oilfield related transactions, the estimated amount of petroleum resources in the Areas according to the technical report prepared by NSAI, and the 51% operating interest of Have Result in the Areas. Taking into account of, among other things, (i) the valuation of Have Result prepared by BMI of US\$612 million (equivalent to approximately HK\$4.8 billion) and the discount of approximately 30% represented by the Consideration to such valuation; (ii) the best estimate of gross (100%) contingent oil resources of approximately 146.9 million barrels and gross (100%) unrisks prospective oil resources of approximately 13.5 million barrels according to the technical report on the Areas prepared by NSAI; and (iii) the 51% operating interest of Have Result in the new wells drilled and to be drilled pursuant to the Assignment Agreement in the Areas as further described in the paragraph headed “Information on Have Result” below, the Directors consider that the Consideration is fair and reasonable.

LETTER FROM THE BOARD

BMI has solid experience in the area of natural resource valuations and has performed various valuation projects on assets or companies engaged in similar business activities as those of Have Result in Hong Kong, China and the Asia-Pacific region. NSAI is an independent firm of international reserves consultants. It has conducted reserves certifications, technical studies and economic evaluations, and advisory work for both onshore and offshore fields throughout the world and performed a complete range of integrated geophysical, geological, petrophysical and engineering services for their clients which include major and independent oil and gas companies, national oil and gas companies, financial institutions, government agencies, investors and law firms. NSAI has prepared reports known in various countries as Independent Reserves/Resources Reports, Competent Persons Reports, and Independent Technical Advisor Reports for inclusion in public documents of companies listed on the Stock Exchange and other world recognised stock exchanges. The valuation report prepared by BMI and the technical report prepared by NSAI relating to Have Result's operating interest in the Areas are set out in Appendices IV and V to this circular respectively.

Principal terms of the PN

The PN shall be issued by the Company to City Smart or its nominee(s) at Completion as part of the Consideration. The principal terms of the PN are as follows:–

Principal amount:	HK\$840,000,000
Repayment:	The principal sum of the PN shall be repaid in full on the date falling on the third anniversary of the issue of the PN.
Interest:	1% plus 6-month HIBOR or the Prime Rate per annum, whichever is the lower on the first day of each interest period, commencing from the date of issue of the PN and shall be paid annually in arrears and on the maturity of the PN.
Prepayment:	The Company may prepay all or part (amount of any partial prepayment shall be at least HK\$500,000) of the principal sum before the maturity of the PN by giving not less than seven days' prior written notice to the holder of the PN specifying the amount and the date of prepayment.
Transfer:	Holder of the PN may at any time assign or transfer all or any part (in minimum amount of HK\$500,000 or integral multiple thereof or, where the outstanding principal amount of the PN is less than HK\$500,000, the entirety) of the PN to a third party provided that no assignment or transfer shall be made to a connected person of the Company without the prior written consent of the Company.

LETTER FROM THE BOARD

The Consideration Shares

The Consideration Shares will be issued by the Company to the Vendors or their respective nominee(s) at the issue price of HK\$0.19 each at Completion. The Consideration Shares represent approximately 24.2% of the issued share capital of the Company as at the Latest Practicable Date and approximately 19.5% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares.

A specific mandate will be sought from the Shareholders at the SGM for the issue of the Consideration Shares. The Consideration Shares will rank equally among themselves and pari passu in all respects with the Shares in issue on the date of issue and allotment of the Consideration Shares.

The issue price of the Consideration Shares of HK\$0.19 each represents:

- (i) a discount of approximately 33.3% to the closing price of the Shares of HK\$0.285 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 38.2% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Trading Day of HK\$0.3075 per Share;
- (iii) a premium of approximately 5.6% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 90 trading days up to and including the Last Trading Day of HK\$0.18 per Share;
- (iv) a premium of approximately 23.4% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 120 trading days up to and including the Last Trading Day of HK\$0.154 per Share;
- (v) a premium of approximately 1.6% over the audited net asset value per Share attributable to the Shareholders as at 31 December 2008 of approximately HK\$0.187 per Share;
- (vi) a discount of approximately 7.8% to the unaudited net asset value per Share attributable to the Shareholders as at 30 June 2009 of approximately HK\$0.206 per Share; and
- (vii) a discount of approximately 32.1% to the closing price of HK\$0.28 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Company has applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares to be allotted and issued pursuant to the Agreement. There is no restriction on the sale of the Consideration Shares by the Vendors or their respective nominee(s).

LETTER FROM THE BOARD

Principal terms of the CB

Aggregate principal amount: HK\$2,311,520,000

Conversion price: HK\$0.205 per Share, subject to usual anti-dilution adjustments in certain events such as share consolidation, share subdivision, capitalisation issue, capital distribution, rights issue and other issues of Shares and/or convertible securities but there will be no adjustment for the issue of the Additional CB or Additional Conversion Shares.

The initial conversion price of the CB of HK\$0.205 per Share represents:

- (i) a discount of approximately 28.1% to the closing price of the Shares of HK\$0.285 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 33.3% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day of HK\$0.3075 per Share;
- (iii) a premium of approximately 13.9% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the 90 consecutive trading days up to and including the Last Trading Day of HK\$0.18 per Share;
- (iv) a premium of approximately 33.1% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the 120 consecutive trading days up to and including the Last Trading Day of HK\$0.154 per Share;
- (v) a premium of approximately 9.6% over the audited net assets value per Share attributable to the Shareholders as at 31 December 2008 of approximately HK\$0.187 per Share;
- (vi) a discount of approximately 0.5% to the unaudited net asset value per Share attributable to the Shareholders as at 30 June 2009 of approximately HK\$0.206 per Share; and

LETTER FROM THE BOARD

- (vii) a discount of approximately 26.8% to the closing price of HK\$0.28 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

Interest rate:	Interest free
Maturity date:	The date falling on the day being the 20th anniversary of the date of issue of the CB.
Redemption:	The Company has no obligation to repay any outstanding principal amount of the CB but has the right at its discretion to redeem any principal amount of the CB at its face value.
Transferability:	The CB or any part(s) thereof (in amount of HK\$500,000 or integral multiples thereof) may be assigned or transferred to any third party, but may not be assigned or transferred to any company or other person which is a connected person of the Company without the prior written consent of the Company.
Conversion rights and conversion period:	CB holder(s) shall have the right to convert the whole or any part (in minimum amount of HK\$500,000 or integral multiple) of the outstanding principal amount of the CB into Shares (subject to restrictions as detailed below) at any time and from time to time on any business day prior to the maturity date of the CB at the then applicable conversion price.
Conversion Shares:	Upon the full conversion of the CB at the initial conversion price of HK\$0.205 per Share, an aggregate of 11,275,707,317 Conversion Shares will be issued, representing approximately 272.9% of the issued share capital of the Company as at the Latest Practicable Date, and approximately 68.7% of the issued share capital of the Company as enlarged by the issue of 1,000,000,000 Consideration Shares and the 11,275,707,317 Conversion Shares.

LETTER FROM THE BOARD

Restriction on conversion:	CB holder(s) shall not exercise any conversion right attaching to the CB and the Company will not be obliged to issue any Conversion Shares to such an extent that would result in (i) the holder(s) thereof and parties acting in concert with them (within the meaning under the Takeovers Code) holding or having more than 29% of the then issued ordinary share capital of the Company or otherwise being obliged to make general offer for the Shares in accordance with the Takeovers Code; or (ii) the Company in breach of any provision of the Listing Rules, including the requirement to maintain the prescribed minimum percentage (currently being 25%) of the 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.
Voting:	CB holder(s) shall not be entitled to receive notices of, attend or vote at any meetings of the Company by reason only of it being the holders of the CB.
Listing:	No application will be made for the listing of the CB on the Stock Exchange or any other stock exchange. An application has been made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Conversion Shares to be issued as a result of the exercise of the conversion rights attaching to the CB.
Status:	The obligations of the Company arising under the CB constitute general, unconditional, unsecured and unsubordinated obligations of the Company and shall rank equally among themselves and pari passu with all other present and future unsecured and unsubordinated obligations of the Company except for obligations accorded preference by mandatory provisions of applicable law.

The terms of the PN and the CB have been arrived at based on arm's length negotiations between the Purchaser, the Company and the Vendors. The Directors consider that the terms of the PN and the CB, including the interest rate of the PN are fair and reasonable. The issue price of the Consideration Shares and the initial conversion price of the CB were agreed after arm's length negotiations at HK\$0.19 and HK\$0.205 per Share respectively. The Directors noted that both the issue price of the Consideration Shares and the initial conversion price of the CB represent a discount to the closing price of the Shares on the Last Trading Day. However, taking into account that (i) the Shares consistently closed at the narrow range of HK\$0.05 to HK\$0.1 for most of the trading days during the seven months from October 2008 to April 2009; (ii) it was not until recently that the closing price

LETTER FROM THE BOARD

of the Shares showed several abrupt increases from HK\$0.15 in early June 2009 to HK\$0.3 in early August 2009, during which period there has been no material positive change to the fundamentals and business outlook of the Company; and (iii) both the issue price of the Consideration Shares and the initial conversion price of the CB are close to the net asset value per Share, the Directors consider that the issue price of the Consideration Shares and the initial conversion price of the CB are fair and reasonable.

Conditions precedent

Completion of the Acquisition is subject to the satisfaction or waiver of the following conditions precedent:

- (i) the passing of the necessary resolution(s) by the Shareholders in a general meeting to approve: (a) the increase in the authorised share capital of the Company to HK\$1,000,000,000 divided into 100,000,000,000 Shares; and (b) the Agreement and the transactions contemplated thereunder and the implementation thereof (including but not limited to the issue and allotment of the Consideration Shares, the issue of the CB, the PN and the Additional CB and the issue and allotment of the Conversion Shares and the Additional Conversion Shares) in accordance with the requirements of the Listing Rules and the applicable laws and regulations;
- (ii) the Listing Committee granting the listing of, and permission to deal in, the Consideration Shares, the Conversion Shares and the Additional Conversion Shares on the Stock Exchange;
- (iii) no indication being received on or before Completion from the Stock Exchange to the effect that the listing of the Shares may be withdrawn or objected to (or conditions will or may be attached thereto) including but not limited to as a result of Completion or in connection with the terms of the Agreement or transactions contemplated thereunder or for any reason;
- (iv) the compliance of any other requirements under the Listing Rules or otherwise of the Stock Exchange or other regulatory authorities or any applicable laws and regulations which requires compliance by the Purchaser, the Company or Have Result at any time prior to Completion in relation to the transactions contemplated under the Agreement and the uninterrupted continuation of the current rights and business of Have Result after Completion;
- (v) the Purchaser being satisfied with the results of its due diligence review and investigation on Have Result including without limitation to its assets, liabilities, contracts, commitments, undertakings and business, and financial, legal and taxation aspects;
- (vi) all third parties consents and waivers required to be obtained by the Purchaser, the Company or Have Result having been obtained in connection with the transactions contemplated under the Agreement;

LETTER FROM THE BOARD

- (vii) the representations, warranties and undertakings made or given by each of the Vendors pursuant to the Agreement remaining true and accurate, and not misleading, in all material respects as at Completion;
- (viii) the representations, warranties and undertakings made or given by the Purchaser pursuant to the Agreement remaining true and accurate, and not misleading, in all material respects as at Completion;
- (ix) the Purchaser having obtained a legal opinion issued by an Argentina legal adviser acceptable to the Purchaser in respect of the undertakings of Have Result in Argentina (including but not limited to the concessions of the Areas held by Chañares, the legality, validity and enforceability of the JV Agreement, the Assignment Agreement, the UTE Agreement and Have Result's rights and interest in the Areas), which is in both form and substance and in all respects satisfactory to the Purchaser;
- (x) the delivery by each of the Vendors to the Purchaser of a legal opinion issued by a British Virgin Islands law firm acceptable to the Purchaser and addressed to the Purchaser confirming that each of the Vendors has been duly incorporated and is in good standing and that each of the Vendors has the full power and authority to enter into the Agreement and the documents incidental thereto and that the same when executed constitute legal, valid and binding obligations on each of the Vendors and such legal opinion to be in form and substance to the satisfaction of the Purchaser;
- (xi) the delivery by the Vendors to the Purchaser of a legal opinion issued by a British Virgin Islands law firm acceptable to the Purchaser and addressed to the Purchaser confirming that Have Result has been duly incorporated and is in good standing and certifying that the Vendors are the holders of the First Sale Shares and the Second Sale Shares respectively free from encumbrances together with certificates of incumbency and certificates of good standing, and such legal opinion to be in form and substance to the satisfaction of the Purchaser;
- (xii) the Purchaser having obtained a report on the Areas issued by a technical adviser appointed by the Purchaser, which complies with the relevant requirements in the Listing Rules, showing that the best estimate of gross contingent oil resources in the Areas is not less than 145 million barrels and in all respects to the satisfaction of the Purchaser;
- (xiii) the Purchaser having obtained a valuation report on Have Result issued by a valuer appointed by the Company, which complies with the relevant requirements in the Listing Rules, showing that the valuation of Have Result is not less than US\$600 million and in all respects to the satisfaction of the Purchaser; and
- (xiv) no material adverse change on the financial position, management, business or property, results of operations, legal or financing structure, business prospects or assets or liabilities of Have Result having occurred.

LETTER FROM THE BOARD

The Purchaser may at its absolute discretion at any time waive any of the conditions, other than conditions (i), (ii), (iii), (iv) (in so far as matters other than those relating to Have Result), (viii) and (xiii) above. The Vendors may at their absolute discretion at any time waive condition (viii) above. If the conditions above are not fulfilled or waived (as the case may be) on or before 31 October 2009 or such other date as the Company and the Vendors may agree in writing and/or conditions (vii), (viii) and (xiv) do not remain fulfilled (and is not waived by the Purchaser or, where applicable, the Vendors) on the date of Completion, all rights, obligations and liabilities of the parties under the Agreement shall cease and determine and none of the parties shall have any claim against the other save and except for any antecedent breach.

Completion

Completion shall take place on the date falling on the third business day after the fulfillment or, where applicable, waiver of the relevant conditions precedent.

POSSIBLE ADJUSTMENT TO THE CONSIDERATION

Pursuant to the Agreement, the Purchaser shall appoint NSAI or such technical advisor qualified under the Listing Rules to issue the Updated Technical Report on the Areas within two years subsequent to Completion. Provided that the Updated Technical Report is in all substance and respect reasonably satisfactory to the Purchaser,

- (i) if the Updated Technical Report shows that the proved reserves (as defined in the PRMS) of oil in the Areas are not less than 290 million barrels, the Company shall within 14 days after the issue of the Updated Technical Report issue to the Vendors or their respective nominee(s) the Additional CB in the principal amount of HK\$500 million and thereby the Consideration would be revised to HK\$3,841,520,000; or
- (ii) if the Updated Technical Report shows that proved reserves (as defined in the PRMS) of oil in the Areas are not less than 507.5 million barrels, the Company shall within 14 business days after the issue of the Updated Technical Report issue to the Vendors or their respective nominee(s) the Additional CB in the principal amount of HK\$1,000 million and thereby the Consideration would be revised to HK\$4,341,520,000.

The terms of the Additional CB are the same as that of the CB, except that the initial conversion price of the Additional CB will be the average of the closing prices of a Share as quoted on the Stock Exchange for the 10 consecutive trading days immediately preceding the receipt of the Updated Technical Report by the Purchaser or HK\$0.205 per Share, whichever is the higher.

Assuming the Additional CB in the principal amount of HK\$1,000,000,000 is issued pursuant to the Agreement, a maximum of 4,878,048,780 Additional Conversion Shares will be issued upon the exercise in full of the conversion rights attached to the Additional CB at the lowest initial conversion price of HK\$0.205 per Share. The aforesaid 4,878,048,780 Additional Conversion Shares represent approximately 118.1% of the existing issued share

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capital of the Company, and approximately 22.9% of the share capital of the Company as enlarged by the issue of the Consideration Shares, the Conversion Shares and the maximum number of 4,878,048,780 Additional Conversion Shares. An application has been made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Additional Conversion Shares.

The apportionment between the Vendors as to the principal amount of the Additional CB to be received by each of the Vendors or their respective nominee(s) shall be decided by and between the Vendors, provided that a written notice from City Smart (acting alone and on behalf of TCL) relating to such apportionment shall be given to the Purchaser not less than 3 business days prior to the due date for the issue of the Additional CB. If the Purchaser does not receive the said notice, 62% of the principal amount of the Additional CB will be issued to City Smart and 38% of the principal amount of the Additional CB will be issued to TCL. For the avoidance of doubt, the Purchaser has no obligation to pay any additional consideration to the Vendors if the Purchaser shall in its reasonable opinion determine that at the time the Updated Technical Report is delivered to the Purchaser, there has been material adverse change to Have Result since Completion which is not caused by the Group.

As advised by BMI, Have Result would have been valued at approximately HK\$15.5 billion in the case that there are 290 million barrels of proved reserves of oil in the Areas, and approximately HK\$27.4 billion in the case that there are 507.5 million barrels of proved reserves of oil in the Areas. Accordingly, the possible revised Consideration of HK\$3,841,520,000 and HK\$4,341,520,000 as illustrated above respectively represents a 75.2% discount and an 84.2% discount to the said indicated valuation. According 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 regulations. It 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 parties envisage that following Completion and as Have Result proceeds with exploration and drilling in the Areas, more data would be available for the technical adviser to ascertain the oil reserves in the Areas. Taking into account that (i) the possible upward adjustment to the Consideration is conditional on the estimation of proved reserves of oil as set out in the Updated Technical Report, which report is reasonably satisfactory to the Purchaser; (ii) proved reserves are those oil reserves with reasonable certainty to be commercially recoverable; (iii) the possible revised Consideration (being HK\$3,841,520,000 and HK\$4,341,520,000 respectively) represents deep discounts to the valuations that Have Result would have been valued based on the corresponding amounts of proved reserves estimation; and (iv) the initial conversion price of the Additional CB is to be determined with reference to the then market price of the Shares but in any event not less than HK\$0.205 per Share, the Directors consider that the terms of the possible adjustment to the Consideration are fair and reasonable.

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EFFECT ON SHAREHOLDING OF THE COMPANY

The following chart depicts the possible effects of the Acquisition on the shareholding structure of the Company:

	As at the Latest Practicable Date		Upon Completion and the issue of the Consideration Shares		Upon the issue of the Consideration Shares and the conversion of the CB in full (for illustration purpose only) (Note 3)		Upon the issue of the Consideration Shares, the conversion of the CB in full, and the conversion of the Additional CB in the principal amount of HK\$1,000 million in full at the lowest initial conversion price of HK\$0.205 (for illustration purpose only) (Notes 3, 4)	
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
Climax Associates Limited (Note 1)	1,708,146,000	41.3	1,708,146,000	33.3	1,708,146,000	10.4	1,708,146,000	8.0
Directors (Note 2)	13,000,000	0.3	13,000,000	0.2	13,000,000	0.1	13,000,000	0.1
Vendors	–	–	1,000,000,000	19.5	12,275,707,317	74.8	17,153,756,097	80.6
Public	2,411,002,570	58.4	2,411,002,570	47.0	2,411,002,570	14.7	2,411,002,570	11.3
Total	<u>4,132,148,570</u>	<u>100.0</u>	<u>5,132,148,570</u>	<u>100.0</u>	<u>16,407,855,887</u>	<u>100.0</u>	<u>21,285,904,667</u>	<u>100.0</u>

Notes:

1. Climax Associates Limited is a company owned as to 51% by Rich Concept Worldwide Limited, which is in turn beneficially and wholly owned by Mr. Wong Chi Wing Joseph, a Director, and 20% by Mr. Chu Kwok Chi Robert, a Director.
2. The 13,000,000 Shares represent the aggregate number of Shares beneficially held by the Directors as at the Latest Practicable Date.
3. It is a term of the CB and the Additional CB that the holder(s) thereof shall not exercise any conversion right attaching to the CB and/or the Additional CB to such an extent that results or will result in (i) the holder(s) of the CB and/or the Additional CB and parties acting in concert with them (within the meaning under the Takeovers Code) holding or having more than 29% of the then issued ordinary share capital of the Company or otherwise being obliged to make general offer for the Shares in accordance with the Takeovers Code; or (ii) the Company will not be able to maintain the prescribed minimum percentage (currently being 25%) of the issued share capital of the Company held by the public (as defined in the Listing Rules) at the relevant date of conversion of the relevant CB and/or the Additional CB. Accordingly, these two scenarios are for illustration purpose only and may never happen in light of the restrictions imposed under the terms of the CB and the Additional CB.
4. For illustration purpose only, assume the Additional CB in the principal amount of HK\$1,000,000,000 is issued to the Vendors or their nominee(s) in accordance with the terms of the Agreement, and assume the conversion of such Additional CB in full at the lowest conversion price of HK\$0.205 per Share.

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INFORMATION ON HAVE RESULT

Have Result was incorporated in the British Virgin Islands on 12 September 2007. As at the date of the Agreement, Have Result was owned as to 62% by City Smart and as to 38% by TCL. Have Result is principally engaged in the production of petroleum in the Areas pursuant to the Assignment Agreement. According to the accountants' report on Have Result as set out in Appendix II to this circular, Have Result recorded a loss before and after taxation of approximately HK\$12.9 million during the period from 12 September 2007 (being the date of incorporation) to 31 May 2009, representing mainly the legal and professional fees incurred by Have Result in relation to the operating interest in the Areas. As at 31 May 2009, the net liabilities of Have Result amounted to approximately HK\$12.9 million.

The Areas

The Areas comprise the Puesto Pozo Cercado Area and the Chañares Herrados Area which are adjacent to each other, located in the Cuyana Basin, Mendoza Province of Argentina, covering approximately 210 square kilometers. According to a draft legal opinion prepared by the Argentina legal adviser of the Company, Chañares was awarded the hydrocarbons exploitation concession of the Puesto Pozo Cercado Area by Resolution No. 782 dated 26 June 1992 issued by the Ministry of Economy and Public Works of the National Government of Argentina and approved by National Decree No. 1276. Chañares was also assigned the concession for the Chañares Herrados Area from the previous owner and such assignment has been authorised by Administrative Decision No. 21 from Chief of Cabinet of the National Government of Argentina in 1996. Both concessions have a term of 25 years commencing from 1992 and 1996 respectively, with the possibility of a 10-year extension. According to legal advice on Argentine laws obtained by the Company, the extension of the term of the concessions is subject to a number of factors, including the fulfillment by the concessionaire of its obligations under the documents granting the concessions and applicable laws and the reaching of agreement between the concessionaire and the Mendoza Government on the terms of the extension such as the amount of investments to be made. The Board at present does not foresee any major difficulties in respect of the extension of the concessions in the future.

Operating interest of Have Result in the Areas

On 14 November 2007, the JV Agreement was entered into between Maxipetrol and Chañares for the purposes of the development of incremental production in the Areas. Pursuant to the JV Agreement, Maxipetrol would be responsible for the investment in connection with the drilling of new wells and production of petroleum. The petroleum produced from the wells drilled within the scope of the JV Agreement, as well as any other benefit obtained from the exploitation of the works performed under the JV Agreement, shall be distributed as to 28% to Chañares and as to 72% to Maxipetrol. Under the JV Agreement, Maxipetrol was expressly allowed to individually enter into agreements of technical and financial assistance with capital and technology investors in connection with the petroleum production in the Areas, provided that such capital and technology investors shall not become members of the joint venture created by Maxipetrol and Chañares under the JV Agreement.

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Subsequent to the JV Agreement, Maxipetrol entered into the Assignment Agreement with Have Result on 24 November 2007 (as amended and supplemented on 12 December 2007, 28 December 2007 and 19 December 2008), pursuant to which Maxipetrol assigned to Have Result part of its rights on the future production as a consequence of new drillings in the Areas. Maxipetrol and Have Result then entered into the UTE Agreement dated 6 August 2009 pursuant to which the UTE is organised, in which Have Result has a 70.83% interest and Maxipetrol a 29.17% interest, for carrying out the operation of petroleum production in the Areas. The principal terms of the Assignment Agreement as supplemented by the UTE Agreement are summarised below:

- (i) under the Assignment Agreement, Maxipetrol assigned in favour of Have Result part of its rights on the future production as a consequence of new drillings and the operation of new wells in the Areas, which have been awarded in its favour under the JV Agreement, such that the future production obtained in the Areas pursuant to the Assignment Agreement and JV Agreement shall be shared as to 51% by Have Result, as to 21% by Maxipetrol, and as to the remaining 28% by Chañares. Under the terms of the UTE Agreement, the interests of Maxipetrol and Have Result will be consolidated into the UTE, which will be responsible for commercialisation of the hydrocarbons allocated to both Have Result and Maxipetrol;
- (ii) the UTE will undertake all the necessary investments regarding both drillings and infrastructure in the Areas;
- (iii) the ordinary and extraordinary operating cost in relation to petroleum production in the Areas will be borne as to 28% by Chañares and 72% by the UTE;
- (iv) Have Result shall be responsible for financing all the investment in drillings and infrastructure in the Areas and 72% of the operating costs for petroleum production (other than the 28% of operating costs to be borne by Chañares) but as from the date the wells drilled under the terms of the Assignment Agreement go into production, Maxipetrol shall reimburse Have Result for 29.17% of the aggregate investment made by the UTE in the Areas through the financing of Have Result and investments made by Have Result prior to the formation of the UTE. The sale proceeds (after deducting operating costs and expenses and taxes chargeable by the UTE) from the petroleum production attributable to the UTE shall be first distributed to Have Result to the extent and the amount of the expenses and costs and taxes paid by the UTE financed by Have Result. The net proceeds after such deduction (the "Profit"), shall be distributed as follows: (a) 30% of the Profit shall be received by Have Result until full reimbursement of the said 29.17% of the aggregate investments; and (b) the remaining 70% of the Profit shall be distributed between Have Result and Maxipetrol in accordance with their respective interest in the UTE (i.e. as to 70.83% to Have Result and as to 29.17% to Maxipetrol);

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- (v) the UTE shall have the power to designate the representative allocated to Maxipetrol in the operating committee set up in accordance with the JV Agreement;
- (vi) Maxipetrol undertook to obtain Have Result's prior written authorisation in respect of any decision to be adopted by Maxipetrol as member of the JV Agreement;
- (vii) Maxipetrol undertook to promptly inform Have Result about any notice it may receive from Chañares in connection with the JV Agreement including, without restriction, any communication, notice or demand related to the compliance or non-compliance with Maxipetrol's obligations under the JV Agreement, and to furnish Have Result with a copy of the document received from Chañares and any other related documentation. Furthermore, Maxipetrol shall adopt, in due time and manner, all such steps as may be required to cure any default for which it may be deemed liable; and
- (viii) the management, supervision and control of the UTE's business and affairs are to be carried out by an executive committee, which shall be the highest authority of the UTE, and in which Have Result has the right to appoint three members and Maxipetrol the right to appoint one member.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, each of Maxipetrol and Chañares is a third party independent of the Company and its connected persons and they are not connected person of each other.

Investment plans

Pursuant to the Assignment Agreement and the UTE Agreement, the UTE shall be in charge of defining all technical and financial aspects of the investment plans of the Areas regarding, among other things, the drilling of production wells or injection wells, the making of infrastructure works for the treatment and transportation of crude oil, geophysical or other studies, the treatment, transportation and final disposal of production water, and the use of hydrocarbons. Such investment plans must consist of the drilling of at least five production wells per calendar year (including 2009), together with the infrastructure works that are necessary for the incremental production that the wells to be drilled may generate. At least two of the wells to be drilled each calendar year must reach the deep reservoir formation in the Areas. As informed by the Vendors, Have Result is currently drilling three wells, one of which will reach the deep reservoir formation.

Funding requirement

Pursuant to the Assignment Agreement, Have Result is obliged to pay Maxipetrol an aggregate sum of US\$20,000,000 (equivalent to approximately HK\$156,000,000). As at the Latest Practicable Date, Have Result had paid US\$12,500,000 (equivalent to approximately HK\$97,500,000). Upon Completion, the Enlarged Group will be obliged to pay the outstanding amount of US\$7,500,000 (equivalent to approximately HK\$58,500,000) by 20 November 2010. Based on the current estimation by the Board, the drillings cost, together

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with all the necessary infrastructure works to be incurred within two years from the date of this circular, will amount to approximately US\$28,800,000 (equivalent to approximately HK\$224,600,000). In the circumstances, it is estimated that the funding requirement of Have Result will be approximately HK\$283,100,000 for the two-year period following the issue of this circular. Pursuant to the terms of the Assignment Agreement and the UTE Agreement, Have Result shall be responsible for financing all the aforesaid two-year cost of drillings and infrastructure of approximately US\$28,800,000 (equivalent to approximately HK\$224,600,000). Nevertheless, from the date the wells drilled under the terms of the Assignment Agreement go into production, Have Result will be reimbursed of the expenses, costs and taxes of the UTE financed by Have Result as well as portion of the investment in drilling and infrastructure financed by it. Details of the financing responsibility and profit distribution are set out in the paragraph headed “Operating interest of Have Result in the Areas” above.

It is now expected that Have Result will commence recoveries on a commercial scale within 2009. It is also expected that Have Result will generate cash inflow of approximately HK\$159 million from the sales of petroleum and incur cash outflow of approximately HK\$414 million for the drilling of oil wells, exploration activities and commercialisation of petroleum for the two-year period following the issue of this circular. The Company is currently in discussion with potential investors for the issue of new convertible securities of the Company to provide extra funding of not less than HK\$78 million to expedite the oil exploitation process in the Areas. As at the Latest Practicable Date, no legally binding agreements with potential investors have been entered into by the Company. The Company will make further announcement(s) in this regard as and when appropriate. Prior to any fund raising exercises being crystallised, the Enlarged Group would finance the petroleum production of Have Result with its internal resources and cash flows generated from its operating activities (including cash flows from its metals sourcing and copper anode production businesses and proceeds from sales of petroleum by Have Result).

RISK FACTORS

Potential competition and investment plans subject to approval

Chañares has signed a similar drilling agreement with another company before it entered into the JV Agreement with Maxipetrol. This sets up a potential competition for drilling the undeveloped locations. According to the JV Agreement, Chañares may drill on its exclusive account, but may not enter into other cooperation agreements with companies other than such existing company and Maxipetrol. However, there is no guarantee that some or even a significant portion of resources might not be drilled by that company or Chañares. In addition, although the UTE is responsible for the technical aspect of the petroleum production in the Areas (including the design and drillings of the wells), the investment plans drawn up by the UTE are subject to Chañares’ approval, and such approval is not guaranteed.

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Relationship with Maxipetrol and Chañares

Pursuant to the JV Agreement entered into between Maxipetrol and Chañares, Maxipetrol's shareholders undertake not to sell or transfer their shares in Maxipetrol prior to 2013. Starting from 2013, should Maxipetrol's shareholders decide to sell their interests in Maxipetrol, Chañares shall have the right of first refusal. In the case that Maxipetrol fails to comply with such obligations or any other obligations under the JV Agreement, it shall forfeit all rights in respect of the works in progress and all rights to continue making investment plans in the Areas, and consequently it may not continue drilling in the Areas. Maxipetrol will then only preserve its rights in the wells that are already drilled. This imposes risk on the long term viability of the operating rights assigned to Have Result from Maxipetrol.

New business segment of the Group

The Acquisition constitutes an investment in a new business sector, being petroleum exploitation and production, for the Group. 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 ascertain 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 prices

The fluctuations in the supply and demand of petroleum are caused by numerous factors beyond the Company's control, which include but not limited to global and domestic economic and political conditions, competition from other energy sources, and the 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 market for petroleum and petroleum-related products will not experience excess supply.

Significant and continuous capital investment

The petroleum business requires significant and continuous capital investment. The investment plans drawn up by the UTE 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.

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Political and regulatory issues

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 into a new business in Argentina, in which the Company does not have any business presence. There can be a risk relating to possible changes in the business environment in Argentina which may affect the profitability of doing business in Argentina. The change of political and economic conditions in Argentina may also adversely affect the Company.

REASONS FOR THE ACQUISITION

The Group is principally engaged in the sourcing and trading of non-ferrous metals and consumer electronics products. The Group also holds a 60% interest in a jointly controlled entity which is engaged in the provision of copper smelting and production of copper anode. Over 90% of the revenue of the Group is derived from customers located in the PRC. According to the 2009 interim report of the Company, the Directors expect that the core business of the Group would remain difficult in the second half of 2009 and that the Company would invest in resource sector in the near future.

Argentina is a net exporter of petroleum. With around 2.7 billion barrels of proven oil reserves, Argentina is a significant player in the Latin American oil market. According to the statistics published by Central Intelligence Agency World Factbooks, Argentina was the fourth-largest oil producer in Latin America in 2007 and produced 790,800 barrels per day. In 2006, the country consumed 525,100 barrels per day. According to the statistics published by the International Monetary Fund, Argentina recorded real gross domestic products ("GDP") growth rate of around 8% to 9% during 2005 to 2007. Industrial sector contributed over 30% of the overall GDP of the country. The Directors recognise that petroleum is one of the major sources of energy with limited supply. The Directors are of the view that the Acquisition enables the Group to tap into the resources industry and diversifies the Group's business portfolio to include petroleum production in the South American market.

The Board is aware of the risk factors associated with the Acquisition as set out in the paragraph headed "Risk factors" above. The Board is advised by the Vendors that Have Result has commenced drilling of three wells in the Areas. In addition, while the potential competing petroleum producer in the Areas has suspended drilling since last year, Have Result has already submitted an investment and drilling program to Chañares for its approval. No material obstacle in obtaining such approval from Chañares is currently expected. With the appropriate strategy and investment plan in the Areas, the Board is of the view that the risks associated with the Acquisition are manageable. In addition, as the Consideration is determined based on a valuation prepared with reference to the pricing of other reported petroleum or oilfield related transactions, the inherent risks (such as the

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fluctuation of oil price in the world market and recoverability of the oil resources) related to acquisitions of similar nature has been, to a considerable extent, incorporated in the valuation. As the Consideration represents a discount of approximately 30% to the indicative valuation, the Directors consider that the Consideration is fair and reasonable.

Based on the above, the Directors consider that the terms of the Acquisition are fair and reasonable and that the Acquisition is in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECTS OF THE ACQUISITION

Upon Completion, Have Result will become a wholly-owned subsidiary of the Company and the results, assets and liabilities of Have Result would be consolidated into the financial statements of the Group.

As shown in the unaudited pro forma consolidated balance sheet set out in Appendix III to this circular, both the total assets and total liabilities of the Enlarged Group will increase by the assets and liabilities of Have Result as a result of the Acquisition. In addition, assuming Completion had taken place on 30 June 2009, the total assets of the Enlarged Group as at 30 June 2009 would be approximately HK\$4,490 million, representing an increase of approximately 268% as compared to that of the Group of approximately HK\$1,221.4 million. The increase was mainly attributable to the recognition of exploration and evaluation assets of approximately HK\$3,274 million as a result of the Acquisition. The finalised amount to be recorded will depend on the fair value of the net assets/liabilities of Have Result to be determined on Completion. Furthermore, the issue of the PN upon Completion will increase the total liabilities of the Enlarged Group, while the issue of the Consideration Shares and the CB upon Completion will increase the equity base of the Enlarged Group.

When Have Result proceeds with its drilling work in the Areas, it is expected that the Enlarged Group will incur higher operating costs. However, it is expected that Have Result will start to generate revenue when the wells it drilled commence commercial production. The Directors consider that the Acquisition will contribute to the revenue and earnings base of the Enlarged Group in future.

PROSPECTS OF THE ENLARGED GROUP

Currently, the Group's business portfolio comprises sourcing and trading of non-ferrous metals (mainly scrap copper), copper anode production, and trading of consumer electronics products. Over 90% of the revenue of the Group is derived from customers located in the PRC.

Since 2008, the price of copper has been fluctuating vigorously. As mentioned in the interim report of the Company for the six months ended 30 June 2009, the Group's businesses of scrap copper trading and copper anode production remained difficult in the first half of 2009.

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The Directors consider that the Group's growth momentum will be maintained by diversifying into the petroleum production industry in South America. By diversifying the Group's business portfolio through the Acquisition, the Group will be less vulnerable to the fluctuation in the market changes of copper and/or other non-ferrous metals and consumer electronics products. As mentioned in the paragraph headed "Reasons for the Acquisition" above, the Directors recognise that petroleum is one of the major sources of energy with limited supply and believe that the Acquisition will contribute positively to the Group.

Of the three wells of Have Result at which drilling are in progress, two are expected to commence commercial operation in 2009. The Directors consider that the sales of petroleum would contribute significantly to the Group's turnover from 2010 onwards.

LISTING RULES IMPLICATIONS

The Acquisition constitutes a very substantial acquisition for the Company under the Listing Rules and is subject to approval by the Shareholders. The SGM will be convened to seek approval from the Shareholders of the Acquisition and the transactions contemplated under the Agreement (including the issue of the Consideration Shares, the CB, the Conversion Shares, the PN, the Additional CB and the Additional Conversion Shares). No Shareholder is required to abstain from voting on the resolution to be proposed at the SGM regarding the Acquisition.

INCREASE IN AUTHORISED SHARE CAPITAL OF THE COMPANY

The Board proposes to increase the Company's authorised share capital from HK\$250,000,000 divided into 25,000,000,000 Shares to HK\$1,000,000,000 divided into 100,000,000,000 Shares by the creation of an additional 75,000,000,000 new Shares. Such new Shares, upon issue and fully paid, shall rank pari passu in all respects with the new Shares then in issue. The size of the proposed increase in authorised share capital of the Company is determined after taking into account the allotment and issue of the Consideration Shares, the Conversion Shares and the Additional Conversion Shares pursuant to the Agreement, as well as the Company's need for flexibility to issue new Shares for future investments and developments.

The proposed increase in authorised share capital of the Company is conditional upon the passing of an ordinary resolution by the Shareholders approving the same at the SGM. The Board is of the view that the proposed increase in authorised share capital of the Company will provide flexibility to the Company in determining its future business plan, and is therefore in the interests of the Company and the Shareholders as a whole. No Shareholder is required to abstain from voting on the resolution to be proposed at the SGM regarding the proposed increase in authorised share capital of the Company.

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SGM

A notice convening the SGM, at which ordinary resolutions will be proposed to the Shareholders to consider and, if thought fit, approve the proposed increase in authorised share capital of the Company, the Acquisition and the transactions contemplated under the Agreement is set out on pages 220 to 222 of this circular. A form of proxy for use at the SGM is accompanied with this circular.

Whether or not you are able to attend the SGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to Tricor Tengis Limited, the branch share registrar and transfer office of the Company in Hong Kong, at 26/F, 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 or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof if you so wish and in such event the form of proxy shall be deemed to be revoked.

RECOMMENDATION

The Directors consider that (i) the increase in authorised share capital of the Company is in the interests of the Company and the Shareholders as a whole; (ii) the terms of the Agreement are fair and reasonable; and (iii) the Acquisition is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the proposed increase in authorised share capital of the Company, the Acquisition and the transactions contemplated under the Agreement.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
for and on behalf of the Board of
EPI (Holdings) Limited
Wong Chi Wing, Joseph
Chairman

1. FINANCIAL SUMMARY

The following is a summary of the audited consolidated results of the Group for the three years ended 31 December 2006, 2007 and 2008, the unaudited consolidated results of the Group for the six months ended 30 June 2008 and 2009, the audited consolidated assets and liabilities of the Group as at 31 December 2006, 2007 and 2008, and the unaudited consolidated assets and liabilities of the Group as at 30 June 2009, as extracted from each of the relevant annual reports and interim reports of the Company. The auditors of the Company issued a qualified opinion on the consolidated financial statements of the Company for each of the years ended 31 December 2006 and 2007. Details of the qualified opinion are set out in the annual report of the Company for the respective years.

	For the six months ended 30 June		For the year ended 31 December		
	2009	2008	2008	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(audited)	(audited)	(audited)
RESULTS					
Revenue	466,403	1,368,217	2,546,532	2,053,000	264,803
Cost of sales	<u>(450,565)</u>	<u>(1,277,596)</u>	<u>(2,458,477)</u>	<u>(1,927,189)</u>	<u>(257,909)</u>
Gross profit	15,838	90,621	88,055	125,811	6,894
Net gain on debt restructuring	–	–	–	–	263,168
Other income	66,155	4,497	62,785	65,126	8,064
Distribution and selling expenses	(5,752)	(15,234)	(37,097)	(35,071)	(884)
Administrative expenses	(23,754)	(36,931)	(84,399)	(63,183)	(9,708)
Other expenses	(4,152)	(18,948)	(20,475)	(11,079)	(2,126)
Finance costs	<u>(3,964)</u>	<u>(3,883)</u>	<u>(7,988)</u>	<u>(3,537)</u>	<u>(116)</u>
Profit before taxation	44,371	20,122	881	78,067	265,292
Taxation	(86)	(3,085)	(8,714)	(14,556)	(350)
Profit from discontinued operation	<u>16,611</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
(Loss) profit for the year/period	<u><u>60,896</u></u>	<u><u>17,037</u></u>	<u><u>(7,833)</u></u>	<u><u>63,511</u></u>	<u><u>264,942</u></u>

APPENDIX I**FINANCIAL INFORMATION OF THE GROUP**

	As at 30 June 2009	As at 31 December 2008	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)	(audited)	(audited)
ASSETS AND LIABILITIES				
Total assets	1,221,438	1,286,483	1,119,587	283,518
Total liabilities	<u>(370,809)</u>	<u>(472,116)</u>	<u>(337,735)</u>	<u>(17,870)</u>
	<u>850,629</u>	<u>814,367</u>	<u>781,852</u>	<u>265,648</u>
Equity attributable to equity holders of the Company	850,629	772,375	781,852	265,648
Share options reserve of a subsidiary	–	2,238	–	–
Minority interests	<u>–</u>	<u>39,754</u>	<u>–</u>	<u>–</u>
	<u>850,629</u>	<u>814,367</u>	<u>781,852</u>	<u>265,648</u>

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS

Set out below are the audited consolidated income statement, consolidated balance sheet, consolidated cash flow statement and consolidated statement of changes in equity of the Group, together with the notes to the consolidated financial statements of the Company as extracted from pages 36 to 92 of the annual report of the Company for the year ended 31 December 2008.

Consolidated Income Statement

For the year ended 31 December 2008

	<i>Notes</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Revenue	5	2,546,532	2,053,000
Cost of sales	6	<u>(2,458,477)</u>	<u>(1,927,189)</u>
Gross profit		88,055	125,811
Other income	7	62,785	65,126
Distribution and selling expenses		(37,097)	(35,071)
Administrative expenses		(84,399)	(63,183)
Other expenses	8	(20,475)	(11,079)
Finance costs	9	<u>(7,988)</u>	<u>(3,537)</u>
Profit before taxation		881	78,067
Taxation	10	<u>(8,714)</u>	<u>(14,556)</u>
(Loss) profit for the year	11	<u><u>(7,833)</u></u>	<u><u>63,511</u></u>
Attributable to:			
Equity holders of the Company		(3,993)	63,511
Minority interests		<u>(3,840)</u>	<u>–</u>
		<u><u>(7,833)</u></u>	<u><u>63,511</u></u>
(Loss) earnings per share			
– basic	15	<u><u>(0.1) HK cent</u></u>	<u><u>1.64 HK cents</u></u>
– diluted	15	<u><u>N/A</u></u>	<u><u>1.59 HK cents</u></u>

APPENDIX I**FINANCIAL INFORMATION OF THE GROUP****Consolidated Balance Sheet***At 31 December 2008*

	<i>Notes</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	16	43,334	30,541
Goodwill	17	14,996	–
Deposit for acquisition of property, plant and equipment		–	815
Prepaid lease payments	18	22,729	18,674
Loan receivables	21	–	24,933
Financial assets at fair value through profit or loss	19	2,684	2,340
		<u>83,743</u>	<u>77,303</u>
Current assets			
Inventories	20	47,785	146,064
Loan receivables	21	30,000	24,000
Trade and other receivables	22	930,253	671,102
Trade receivable from a joint venture partner	23	1,024	17,057
Held-for-trading investments	24	24,836	9,673
Derivative financial instruments	25	25,205	1,999
Prepaid lease payments	18	538	424
Pledged bank deposits	26	43,711	26,918
Bank balances and cash	26	99,388	145,047
		<u>1,202,740</u>	<u>1,042,284</u>
Current liabilities			
Trade and other payables	27	140,940	106,420
Derivative financial instruments	25	22	1,126
Bank borrowings	28	307,338	214,291
Taxation payable		23,816	15,898
		<u>472,116</u>	<u>337,735</u>
Net current assets		<u>730,624</u>	<u>704,549</u>
Total assets less current liabilities		<u><u>814,367</u></u>	<u><u>781,852</u></u>

APPENDIX I**FINANCIAL INFORMATION OF THE GROUP**

	<i>Notes</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Capital and reserves			
Share capital	29	41,313	41,350
Reserves		<u>731,062</u>	<u>740,502</u>
Equity attributable to equity holders of the Company		772,375	781,852
Share options reserve of a subsidiary		2,238	–
Minority interests		<u>39,754</u>	<u>–</u>
Total equity		<u><u>814,367</u></u>	<u><u>781,852</u></u>

APPENDIX I

FINANCIAL INFORMATION OF THE GROUP

Consolidated Statement of Changes in Equity

For the year ended 31 December 2008

	Attributable to equity holders of the Company										
	Share capital	Share premium	Contributed surplus reserve (Note)	Translation reserve	Share options reserve	Warrants reserve	Accumulated profits	Sub-total	Share options reserve of a subsidiary	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2007	36,082	160,707	60,322	–	–	–	8,537	265,648	–	–	265,648
Exchange differences arising on translation, representing total income recognised directly in equity	–	–	–	3,552	–	–	–	3,552	–	–	3,552
Profit for the year	–	–	–	–	–	–	63,511	63,511	–	–	63,511
Total recognised income for the year	–	–	–	3,552	–	–	63,511	67,063	–	–	67,063
Shares issued	5,735	458,832	–	–	–	–	–	464,567	–	–	464,567
Transaction cost attributable to issue of shares	–	(12,632)	–	–	–	–	–	(12,632)	–	–	(12,632)
Shares repurchased and cancelled	(591)	(24,275)	–	–	–	–	–	(24,866)	–	–	(24,866)
Issue of share options as share-based payment	–	–	–	–	12,540	–	–	12,540	–	–	12,540
Exercise of share options	44	1,105	–	–	(247)	–	–	902	–	–	902
Issue of warrants	–	–	–	–	–	11,470	–	11,470	–	–	11,470
Exercise of warrants	80	8,056	–	–	–	(638)	–	7,498	–	–	7,498
Dividend paid	–	–	–	–	–	–	(10,338)	(10,338)	–	–	(10,338)
At 31 December 2007 and 1 January 2008	41,350	591,793	60,322	3,552	12,293	10,832	61,710	781,852	–	–	781,852
Exchange differences arising on translation, representing total income recognised directly in equity	–	–	–	3,011	–	–	–	3,011	–	–	3,011
Loss for the year	–	–	–	–	–	–	(3,993)	(3,993)	–	(3,840)	(7,833)
Total recognised income and expenses for the year	–	–	–	3,011	–	–	(3,993)	(982)	–	(3,840)	(4,822)
Shares repurchased and cancelled	(77)	(2,361)	–	–	–	–	–	(2,438)	–	–	(2,438)
Recognition of share-based payment expense	–	–	–	–	3,356	–	–	3,356	2,238	–	5,594
Exercise of share options	40	1,115	–	–	(240)	–	–	915	–	–	915
Lapse of warrants	–	–	–	–	–	(10,832)	10,832	–	–	–	–
Dividend paid	–	–	–	–	–	–	(10,328)	(10,328)	–	–	(10,328)
Acquired on acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	43,594	43,594
At 31 December 2008	41,313	590,547	60,322	6,563	15,409	–	58,221	772,375	2,238	39,754	814,367

Note: The contributed surplus reserve represents the credit arising from the capital reduction in 2006.

Consolidated Cash Flow Statement*For the year ended 31 December 2008*

	<i>Notes</i>	2008	2007
		<i>HK\$'000</i>	<i>HK\$'000</i>
Operating activities			
Profit before taxation		881	78,067
Adjustments for:			
Depreciation of property, plant and equipment		3,747	1,204
Loss on disposal of property, plant and equipment		85	–
Impairment loss recognised in respect of property, plant and equipment		715	–
Impairment loss recognised in respect of goodwill		14,251	–
Loss on disposal of a subsidiary		289	–
Share-based payment expense		5,594	12,540
Amortisation of prepaid lease payments		570	212
Write-down of inventories		3,116	1,479
Gain on fair value change of index-linked note		(344)	–
Interest income		(4,246)	(7,091)
Interest expenses		<u>7,988</u>	<u>3,537</u>
Operating cash flows before movements in working capital		32,646	89,948
Decrease (increase) in inventories		109,706	(147,543)
Increase in trade and other receivables		(219,867)	(597,088)
Decrease (increase) in trade receivable from a joint venture partner		17,227	(17,057)
Increase in investments of held-for-trading financial assets		(15,163)	(9,673)
(Decrease) increase in trade and other payables		(26,665)	178,384
Increase in derivative financial instruments		<u>(24,310)</u>	<u>(873)</u>
Cash used in operations		(126,426)	(503,902)
Hong Kong Profits Tax paid		<u>(2,277)</u>	<u>(696)</u>
Net cash used in operating activities		<u>(128,703)</u>	<u>(504,598)</u>

APPENDIX I**FINANCIAL INFORMATION OF THE GROUP**

	<i>Notes</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Investing activities			
Purchases of property, plant and equipment		(9,108)	(30,966)
Proceeds from disposal of property, plant and equipment		3	–
Interest received		2,982	7,091
Purchase of index-linked note		–	(2,340)
Deposit paid for acquisition of property, plant and equipment		–	(815)
Additions of prepaid lease payments		–	(19,310)
Acquisition of subsidiaries	33	53,358	–
Acquisition of additional interest in a jointly controlled entity through purchase of a subsidiary	34	(20,818)	–
Disposal of a subsidiary	35	(6)	–
Loan advanced		(26,000)	(28,000)
Receipts from repayment of loan receivables		44,933	–
Increase in pledged bank deposits		<u>(16,793)</u>	<u>(21,918)</u>
Net cash from (used in) investing activities		<u>28,551</u>	<u>(96,258)</u>
Financing activities			
New bank borrowings raised		532,320	369,925
Proceeds from issue of shares upon exercise of share options		915	902
Repayment of bank borrowings		(459,931)	(243,430)
Dividend paid		(10,328)	(10,338)
Interest paid		(7,988)	(3,537)
Payment on repurchase of shares		(2,438)	(24,866)
Proceeds from issue of shares		–	464,567
Proceeds from issue of warrants		–	11,470
Proceeds from issue of shares upon exercise of warrants		–	7,498
Expenses on issue of shares		<u>–</u>	<u>(12,632)</u>
Net cash from financing activities		<u>52,550</u>	<u>559,559</u>
Net decrease in cash and cash equivalents		(47,602)	(41,297)
Cash and cash equivalents at beginning of the year		145,047	186,344
Effect of foreign exchange rate changes		<u>1,943</u>	<u>–</u>
Cash and cash equivalents at end of the year, representing bank balances and cash		<u>99,388</u>	<u>145,047</u>

Notes to the Consolidated Financial Statements*For the year ended 31 December 2008***1. GENERAL**

The Company is a public limited company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of the registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The address of the principal place of business of the Company is Suite 6303-4 on 63/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

The consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

The Company is an investment holding company. Its subsidiaries are principally engaged in the sourcing and trading of non-ferrous metals and consumer electronics products. The principal activities of the Group’s jointly controlled entity are the provision of copper smelting and production of copper anode.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group has applied the following amendments and interpretations (“new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of financial assets
HK(IFRIC)-INT 11	HKFRS 2: Group and treasury share transactions
HK(IFRIC)-INT 12	Service concession arrangements
HK(IFRIC)-INT 14	HKAS 19-The limit on a defined benefit asset, minimum funding requirements and their interaction

The application of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs ¹
HKAS 1 (Revised)	Presentation of financial statements ²
HKAS 23 (Revised)	Borrowing costs ²
HKAS 27 (Revised)	Consolidated and separate financial statements ³
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation ²
HKAS 39 (Amendment)	Eligible hedged items ³
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate ²
HKFRS 2 (Amendment)	Vesting conditions and cancellations ²
HKFRS 3 (Revised)	Business combinations ³
HKFRS 7 (Amendment)	Improving disclosures about financial instruments ²
HKFRS 8	Operating segments ²
HK(IFRIC)-INT 9 & HKAS 39 (Amendments)	Embedded derivatives ⁴
HK(IFRIC)-INT 13	Customer loyalty programmes ⁵
HK(IFRIC)-INT 15	Agreements for the construction of real estate ²

HK(IFRIC)-INT 16	Hedges of a net investment in a foreign operation ⁶
HK(IFRIC)-INT 17	Distribution of non-cash assets to owners ³
HK(IFRIC)-INT 18	Transfers of assets from customers ⁷

¹ Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009.

² Effective for annual periods beginning on or after 1 January 2009.

³ Effective for annual periods beginning on or after 1 July 2009.

⁴ Effective for annual periods ending on or after 30 June 2009.

⁵ Effective for annual periods beginning on or after 1 July 2008.

⁶ Effective for annual periods beginning on or after 1 October 2008.

⁷ Effective for transfers on or after 1 July 2009.

The adoption of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value, as explained in the accounting policies set out below.

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies used in line with those used by other members of the Group.

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

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Business combinations

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 "Business combinations" are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Goodwill

Goodwill arising on an acquisition of a business for which the agreement date is on or after 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant business at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a business is presented separately in the consolidated balance sheet.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Joint ventures***Jointly controlled entities***

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The Group recognises its interests in jointly controlled entities using proportionate consolidation. The Group's share of each of the assets, liabilities, income and expenses of the jointly controlled entities are combined with the Group's similar line items, line by line, in the consolidated financial statements.

When a group entity transacts with a jointly controlled entity of the Group, profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity.

On acquisition of additional interest in a jointly controlled entity which do not fall within the definition of business combination under HKFRS 3, goodwill arising on the purchase of the additional interest is calculated as the difference between the additional cost of the interest acquired and the increase in the Group's interest, based on the carrying amount of all identifiable assets and liabilities of the jointly controlled entity.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from sale of goods is recognised when the goods are delivered and title has passed.

Interest income from a financial asset excluding financial assets at fair value through profit or loss is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Property, plant and equipment

Property, plant and equipment other than construction in progress are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment other than construction in progress over their estimated useful lives after taking into account their estimated residual value, using the straight-line method.

Construction in progress includes property, plant and equipment for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Prepaid lease payments

Payments for obtaining land use rights is considered as operating lease payment and charged to profit or loss over the period of land use right using the straight-line method.

Impairment of tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets comprise of financial assets at fair value through profit or loss ("FVTPL") and loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at fair value through profit or loss, of which interest income is excluded from net gains or losses.

Financial assets at fair value through profit or loss

Financial assets at FVTPL has two subcategories, including financial assets held for trading and those designated at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Index-linked note is a hybrid instrument that contains embedded derivatives. The Group has designated the index-linked note as "financial assets at fair value through profit or loss" upon initial recognition in accordance with HKAS 39. The notes are carried at fair value, with changes in fair value recognised in profit or loss.

At each balance sheet date subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including loan receivables, trade and other receivables, trade receivable from a joint venture partner, pledged bank deposits, and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. Interest expense is recognised on an effective interest basis.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivative when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

Other financial liabilities

Financial liabilities including trade and other payables and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company, including warrants which will be settled by the exchange of a fixed amount of cash for a fixed number of the Company's own equity instruments, are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss. If the Group retains substantially all the risks and rewards of ownership of a transferred asset, the Group continues to recognise the financial asset and recognise a collateralised borrowing for proceeds received.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid or receivable is recognised in profit or loss.

Share-based payment transactions***Equity-settled share-based payment transactions******Share options granted to employees***

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will continue to be held in share options reserve.

Share options granted to other suppliers of goods and services

Share options issued in exchange for goods or services are measured at the fair value of the goods or services received, unless the fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the share options granted. The fair value of the goods or services are recognised as expenses with a corresponding increase in equity, when the Group obtains the goods or when the counterparties render services, unless the goods or services qualify for recognition as assets.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Retirement benefits costs

Payments to state-managed retirement benefit schemes and Mandatory Provident Fund Schemes (“MPF Schemes”) are charged as an expense when employees have rendered service entitling them to the contributions.

Leasing

Leases are classified as finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant leases. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period.

For the purposes of presenting the consolidated financial statements in Hong Kong dollars, the assets and liabilities of the group entities are translated into Hong Kong dollars using exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during the period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group’s translation reserve. Translation differences relating to a foreign operation are recognised in profit or loss in the period in which the foreign operation is disposed of.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The 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, are discussed below.

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 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, additional impairment loss may arise. As at 31 December 2008, the carrying amount of goodwill was HK\$14,996,000 (net of impairment of HK\$14,251,000) (2007: nil). Details of the recoverable amount calculation are disclosed in note 17.

Estimated impairment of trade and other receivables

Allowance for trade and other receivables is made based on the evaluation of collectability and ageing analysis of accounts. When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2008, the carrying amount of trade and other receivables is HK\$930,253,000 (2007: HK\$671,102,000).

Useful lives of property, plant and equipment

The management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It may also change significantly as a result of technical innovations and competitor actions in response to industry cycles. Management will increase the depreciation charges where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

5. REVENUE AND SEGMENTS INFORMATION

Revenue represents the amounts received and receivable for goods sold by the Group to customers, less return, discounts and sales related taxes. An analysis of the Group's revenue, by business segments, is as follows:

(a) Business segments

For management purposes, the Group is currently organised into three operating divisions namely metals sourcing and trading, production of copper anode and consumer electronics. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Metals sourcing and trading	–	sourcing and trading of non-ferrous metals
Production of copper anode	–	manufacturing of copper anode
Consumer electronics	–	sourcing and trading of consumer electronics business

Segment information about these businesses is presented below.

APPENDIX I**FINANCIAL INFORMATION OF THE GROUP***Year ended 31 December 2008**Consolidated income statement*

	Metals sourcing and trading <i>HK\$'000</i>	Production of copper anode <i>HK\$'000</i>	Consumer electronics <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue					
External sales	1,285,960	881,514	379,058	–	2,546,532
Inter-segment sales	<u>30,436</u>	<u>–</u>	<u>–</u>	<u>(30,436)</u>	<u>–</u>
Total	<u><u>1,316,396</u></u>	<u><u>881,514</u></u>	<u><u>379,058</u></u>	<u><u>(30,436)</u></u>	<u><u>2,546,532</u></u>
Inter-segment sales are charged at prevailing market price.					
Result					
Segment results	<u><u>96,972</u></u>	<u><u>(37,686)</u></u>	<u><u>5,220</u></u>	<u><u>–</u></u>	<u><u>64,506</u></u>
Unallocated income					11,646
Unallocated corporate expenses					<u>(75,271)</u>
Profit before taxation					881
Taxation					<u>(8,714)</u>
Loss for the year					<u><u>(7,833)</u></u>

Consolidated balance sheet

ASSETS				
Segment assets	792,189	218,169	30,743	1,041,101
Unallocated corporate assets				<u>245,382</u>
Consolidated total assets				<u><u>1,286,483</u></u>
LIABILITIES				
Segment liabilities	140,780	67,893	9,091	217,764
Unallocated corporate liabilities				<u>254,352</u>
Consolidated total liabilities				<u><u>472,116</u></u>

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Other information

	Metals sourcing and trading HK\$'000	Production of copper anode HK\$'000	Consumer electronics HK\$'000	Unallocated HK\$'000	Total HK\$'000
Write-down of inventories	–	3,116	–	–	3,116
Amortisation of prepaid lease payments	–	570	–	–	570
Capital additions	55	2,093	22	7,753	9,923
Depreciation	96	1,783	183	1,685	3,747
Impairment loss recognised in respect of goodwill	–	14,251	–	–	14,251
Impairment loss recognised in respect of property, plant and equipment	–	–	–	715	715

Year ended 31 December 2007

Consolidated income statement

	Metals sourcing and trading HK\$'000	Production of copper anode HK\$'000	Consumer electronics HK\$'000	Elimination HK\$'000	Total HK\$'000
Revenue					
External sales	1,188,933	749,133	114,934	–	2,053,000
Inter-segment sales	79,583	–	–	(79,583)	–
Total	1,268,516	749,133	114,934	(79,583)	2,053,000
Inter-segment sales are charged at prevailing market price.					
Result					
Segment results	104,098	17,899	424	–	122,421
Unallocated income					11,780
Unallocated corporate expenses					(56,134)
Profit before taxation					78,067
Taxation					(14,556)
Profit for the year					63,511

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Consolidated balance sheet

	Metals sourcing and trading HK\$'000	Production of copper anode HK\$'000	Consumer electronics HK\$'000	Elimination HK\$'000	Total HK\$'000
ASSETS					
Segment assets	630,594	238,286	26,227		895,107
Unallocated corporate assets					224,480
Consolidated total assets					1,119,587
LIABILITIES					
Segment liabilities	94,168	90,166	6,492		190,826
Unallocated corporate liabilities					146,909
Consolidated total liabilities					337,735

Other information

	Metals sourcing and trading HK\$'000	Production of copper anode HK\$'000	Consumer electronics HK\$'000	Unallocated HK\$'000	Total HK\$'000
Additions of prepaid lease payments	–	19,310	–	–	19,310
Write-down of inventories	–	1,479	–	–	1,479
Amortisation of prepaid lease payments	–	212	–	–	212
Capital additions	347	25,102	37	5,480	30,966
Depreciation	40	441	196	527	1,204

(b) Geographical segments

All the Group's segment assets and capital expenditure incurred during the year are located in the People's Republic of China (the "PRC") (including Hong Kong), which is considered as one geographical location in an economic environment with similar risks and returns. In addition, over 90% of the Group's revenue by geographical market based on location of customers are also located in the PRC. Accordingly, no geographical segment analysis is presented.

6. COST OF SALES

Cost of sales during both years represented cost of inventories recognised as expenses.

APPENDIX I**FINANCIAL INFORMATION OF THE GROUP****7. OTHER INCOME**

	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank interest income	1,398	4,613
Interest income from loan receivables	<u>2,848</u>	<u>2,478</u>
Total interest income	<u>4,246</u>	<u>7,091</u>
Change in fair value of financial assets classified as		
– held-for-trading	4,355	825
– derivative financial instruments	49,601	53,346
– designated as at FVTPL	<u>344</u>	<u>–</u>
	<u>54,300</u>	<u>54,171</u>
Others	<u>4,239</u>	<u>3,864</u>
	<u><u>62,785</u></u>	<u><u>65,126</u></u>

8. OTHER EXPENSES

	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Impairment loss recognised in respect of goodwill	14,251	–
Impairment loss recognised in respect of property, plant and equipment	715	–
Loss on disposal of property, plant and equipment	85	–
Loss on disposal of a subsidiary	289	–
Expenses incurred in exploring potential investment opportunities	<u>5,135</u>	<u>11,079</u>
	<u><u>20,475</u></u>	<u><u>11,079</u></u>

9. FINANCE COSTS

	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank borrowings wholly repayable within five years	<u>7,988</u>	<u>3,537</u>

10. TAXATION

	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax:		
Hong Kong Profits Tax		
– Current year	10,301	14,556
– Overprovision in prior years	<u>(1,587)</u>	<u>–</u>
	<u><u>8,714</u></u>	<u><u>14,556</u></u>

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On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 and reduced corporate profit tax rate from 17.5% to 16.5% which is effective from the year of assessment 2008/2009. Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profit for the year.

The Group's jointly controlled entity is subject to taxation arising in other jurisdictions which is calculated at the rates prevailing in the relevant jurisdictions.

On 16 March 2007, the PRC promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations changed the tax rate of the Group's jointly controlled entity to 25% from 1 January 2008 onwards.

The Group's jointly controlled entity is exempted from PRC Enterprise Income Tax for the first two profitable years starting from the year ended 31 December 2007 and a 50% reduction for the following three years. Under the New Law, the jointly controlled entity continues to enjoy such treatment until the fixed term expires, but not beyond 2012.

The tax charge for the year can be reconciled to the profit before taxation per the consolidated income statement as follows:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Profit before taxation	<u>881</u>	<u>78,067</u>
Tax at the applicable rates of 16.5% (2007: 17.5%)	145	13,662
Tax effect of income not taxable for tax purpose	(1,817)	(766)
Tax effect of expenses not deductible for tax purpose	3,863	3,983
Tax effect of tax losses not recognised as deferred tax asset	8,525	–
Tax effect of utilisation of tax losses previously not recognised as deferred tax asset	–	(122)
Effect of tax exemption granted to a PRC jointly controlled entity	–	(2,151)
Overprovision in prior years	(1,587)	–
Others	<u>(415)</u>	<u>(50)</u>
Tax charge for the year	<u>8,714</u>	<u>14,556</u>

At 31 December 2008, the Group had unused tax losses of HK\$44,499,000 (2007: nil) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit. Included in the unrecognised tax losses are losses of HK\$37,348,000 (2007: nil) that will expire in 2013. Other losses may be carried forward indefinitely.

11. (LOSS) PROFIT FOR THE YEAR

	2008 HK\$'000	2007 HK\$'000
(Loss) profit for the year has been arrived at after charging:		
Directors' remuneration (<i>note 12</i>)	8,215	9,494
Other staff's retirement benefits costs	565	552
Other staff share-based payment expense	4,254	8,702
Other staff costs	<u>22,857</u>	<u>17,486</u>
Total staff costs	<u>35,891</u>	<u>36,234</u>
Amortisation of prepaid lease payments	570	212
Auditor's remuneration	2,050	1,600
Depreciation of property, plant and equipment	3,747	1,204
Exchange loss, net	1,008	1,959
Minimum lease payments under operating leases in respect of		
– office properties and buildings	7,186	3,307
– machinery	560	–
Write-down of inventories	<u>3,116</u>	<u>1,479</u>

12. DIRECTORS' EMOLUMENTS

	2008 HK\$'000	2007 HK\$'000
Fees	488	450
Other emoluments		
– Salaries and other benefits	7,671	9,005
– Retirement benefits scheme contributions	<u>56</u>	<u>39</u>
	<u>8,215</u>	<u>9,494</u>

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The emoluments paid or payable to each of seven (2007: six) directors were as follows:

2008

Name	Fees <i>HK\$'000</i>	Other emoluments			Total <i>HK\$'000</i>
		Salaries, and other benefits <i>HK\$'000</i>	Share- based payment <i>HK\$'000</i>	Retirement	
				benefits scheme contributions <i>HK\$'000</i>	
<i>Executive directors</i>					
Wong Chi Wing, Joseph	–	2,190	277	12	2,479
Chu Kwok Chi, Robert	–	1,210	172	22	1,404
Cheng Hai Rong	–	2,931	768	22	3,721
<i>Non-executive director</i>					
Leung Hon Chuen	150	–	48	–	198
<i>Independent non-executive directors</i>					
Poon Kwok Shin	150	–	48	–	198
Qian Zhi Hui (<i>note</i>)	38	–	–	–	38
Xu Mingshe	150	–	27	–	177
Total emoluments	488	6,331	1,340	56	8,215

Note: Appointed on 19 September 2008.

2007

Name	Fees <i>HK\$'000</i>	Other emoluments			Total <i>HK\$'000</i>
		Salaries, and other benefits <i>HK\$'000</i>	Share- based payment <i>HK\$'000</i>	Retirement benefits scheme contributions <i>HK\$'000</i>	
<i>Executive directors</i>					
Wong Chi Wing, Joseph	–	2,306	1,485	13	3,804
Chu Kwok Chi, Robert	–	910	263	13	1,186
Cheng Hai Rong	–	1,951	1,485	13	3,449
<i>Non-executive director</i>					
Leung Hon Chuen	150	–	233	–	383
<i>Independent non-executive directors</i>					
Poon Kwok Shin	150	–	233	–	383
Xu Mingshe	150	–	139	–	289
Total emoluments	450	5,167	3,838	39	9,494

There was no arrangement under which a director waived or agreed to waive remuneration during both years. In addition, no remuneration was paid by the Group to any of the directors as an inducement to join, or upon joining the Group or as compensation for loss of office.

13. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2007: three) were directors of the Company whose emoluments are included in the disclosures in note 12. The emoluments of the remaining three (2007: two) individuals were as follows:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Salaries and other benefits	5,072	4,342
Retirement benefits scheme contributions	<u>36</u>	<u>26</u>
	<u><u>5,108</u></u>	<u><u>4,368</u></u>

Their emoluments were within the following bands:

	2008 <i>No. of employee</i>	2007 <i>No. of employee</i>
HK\$nil to HK\$1,000,000	–	–
HK\$1,000,001 to HK\$1,500,000	1	–
HK\$1,500,001 to HK\$2,000,000	2	1
HK\$2,500,001 to HK\$3,000,000	<u>–</u>	<u>1</u>

14. DIVIDENDS

Dividend recognised as distribution during the year:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
2007 final dividend-HK0.25 cents per share (2007: 2007 interim dividend-HK0.25 cents per share)	<u>10,328</u>	<u>10,338</u>

No dividend was proposed during 2008, nor has any dividend been proposed since the balance sheet date (2007: final dividend for 2007 of HK0.25 cents).

15. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
(Loss) earnings		
(Loss) earnings for the purposes of basic (loss) earnings per share	<u>(3,993)</u>	<u>63,511</u>

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	2008 <i>'000</i>	2007 <i>'000</i>
<i>Number of shares</i>		
Weighted average number of ordinary shares for the purposes of basic (loss) earnings per share	<u>4,130,188</u>	<u>3,872,418</u>
<i>Effect of dilutive potential ordinary shares:</i>		
Options		<u>133,630</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share		<u>4,006,048</u>

The diluted loss per share for the year ended 31 December 2008 was not presented as the exercise of the share options would result in a decrease in loss per share.

The computation of diluted earnings per share for the year ended 31 December 2007 did not assume the exercise of the Company's outstanding warrants and certain of the Company's share options as the exercise price of those warrants/options is higher than the average market price for shares for the period in which the warrants/options were outstanding.

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16. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK\$'000	Motor Vehicles HK\$'000	Furniture, fixtures and equipment HK\$'000	Plant and machinery HK\$'000	Construction in progress HK\$'000	Total HK\$'000
COST						
At 1 January 2007	–	485	379	–	–	864
Additions	7,683	2,916	4,212	8,935	7,220	30,966
Transfer	–	–	–	645	(645)	–
At 31 December 2007	7,683	3,401	4,591	9,580	6,575	31,830
Exchange realignment	598	99	250	830	257	2,034
Acquired on acquisition of subsidiaries	–	–	735	–	–	735
Acquired on acquisition of additional interest in a jointly controlled entity	1,799	145	59	2,566	221	4,790
Disposal of a subsidiary	–	–	(735)	–	–	(735)
Additions	564	3,068	3,431	909	1,951	9,923
Transfer	2,032	–	–	4,693	(6,725)	–
Disposals	–	–	(95)	–	–	(95)
At 31 December 2008	12,676	6,713	8,236	18,578	2,279	48,482
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 January 2007	–	24	61	–	–	85
Provided for the year	78	438	424	264	–	1,204
At 31 December 2007	78	462	485	264	–	1,289
Exchange realignment	18	16	43	62	–	139
Provided for the year	371	759	1,398	1,219	–	3,747
Impairment loss recognised	–	–	715	–	–	715
Disposal of a subsidiary	–	–	(735)	–	–	(735)
Eliminated on disposals	–	–	(7)	–	–	(7)
At 31 December 2008	467	1,237	1,899	1,545	–	5,148
CARRYING VALUES						
At 31 December 2008	<u>12,209</u>	<u>5,476</u>	<u>6,337</u>	<u>17,033</u>	<u>2,279</u>	<u>43,334</u>
At 31 December 2007	<u>7,605</u>	<u>2,939</u>	<u>4,106</u>	<u>9,316</u>	<u>6,575</u>	<u>30,541</u>

The above items of property, plant and equipment are depreciated on a straight-line basis, and after taking into account of their estimated residual value, as follow:

Buildings	Over the shorter of the term of the lease or 45 years
Motor vehicles	20%
Furniture, fixtures and equipment	20%-33 $\frac{1}{3}$ %
Plant and machinery	12 $\frac{1}{2}$ %

During the year, certain furniture, fixtures and equipment were impaired due to physical damage as a result of relocation of office by a subsidiary. Accordingly, impairment loss of HK\$715,000 was recognised.

At 31 December 2007, the Group has pledged certain plant and machinery and buildings having a carrying amount of HK\$2,777,000 and HK\$5,986,000 respectively to secure short term bank borrowings. During the year ended 31 December 2008, the legal charge was released upon settlement of the relevant bank loans.

17. GOODWILL

	<i>HK\$'000</i>
COST	
At 1 January 2007 and 31 December 2007	–
Acquired on acquisition of subsidiaries	14,996
Acquired on acquisition of additional interest in a jointly controlled entity	<u>14,251</u>
At 31 December 2008	<u>29,247</u>
IMPAIRMENT	
At 1 January 2007 and 31 December 2007	–
Impairment loss recognised	<u>14,251</u>
At 31 December 2008	<u>14,251</u>
CARRYING AMOUNTS	
At 31 December 2008	<u><u>14,996</u></u>
At 31 December 2007	<u><u>–</u></u>

Impairment testing of goodwill

The Group uses business segments as its primary segment for reporting segment information. For the purposes of impairment testing, goodwill set out above has been allocated to two individual cash-generating units (“CGU”s), including (a) Vision Tech International Holdings Limited (“Vision Tech”) in the consumer electronics segment, and (b) one jointly controlled entity in the production of copper anode segment.

The carrying amount of goodwill (net of accumulated impairment losses) as at 31 December 2008 allocated to these CGUs is as follows:

	2008 <i>HK\$'000</i>
Consumer electronics-Vision Tech (“CGU A”)	14,996
Production of copper anode-Qingyuan JCCL EPI Copper Limited (“CGU B”)	<u>–</u>
	<u><u>14,996</u></u>

During the year ended 31 December 2008, management of the Group determines that there is no impairment of goodwill allocated to CGU A and the Group recognised an impairment loss of HK\$14,251,000 in relation to goodwill arising on acquisition of additional interest in a jointly controlled entity. The impairment loss recognised is due to the prolong and substantial decline in the price of copper anode since the last quarter of 2008 which resulted in the production cost of copper anode being higher than the selling price. No write-down of the carrying amounts of other assets in CGU B was necessary.

The bases of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

CGU A

The recoverable amount of this unit has been determined based on a value in use calculation. The calculation is based on financial budgets approved by management covering a five-year period and CGU A's cash flows beyond the five-year period are extrapolated using a stable growth rate of 2%. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. A key assumption for the value in use calculation is that the budgeted growth rate decreased by 10% in the first year, increased by 5% each year for the next two years and increased by 2% from the forth years onwards. Other key assumptions for the value in use calculation relate to the estimation of cash inflow and outflows which include budgeted sales and gross margin which is determined based on past performance and management's expectations for the market development. The discount rate applied to the cash flow projection is 7% and it reflects specific risks relating to the relevant operating unit. Management believes that any reasonably possible change in any of these assumptions will not cause the aggregate carrying amount of CGU A to exceed the aggregate recoverable amount of CGU A. If the discount rate applied in the impairment review for goodwill had been 2% higher, the value in use calculated by using the revised discount rate would still be higher than the carrying amount of CGU A, and there would be no impairment for CGU A.

CGU B

The recoverable amount of this unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by management and cash flows beyond the five-year period are extrapolated using a growth rate of 5% which is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. A key assumption for the value in use calculation is that the budgeted growth rate increase by 5% for the next five years. The discount rate applied to cash flow projections is 8%.

Other key assumptions used in the value in use calculation of CGU B for 31 December 2008 are as follows:

Raw materials price inflation

The basis used to determine the value assigned to raw materials price inflation is the forecast price indices during the budget year. The values assigned to key assumptions are consistent with external information sources.

Commodity price inflation

The basis used to determine the value assigned to commodity price inflation is the expectations of future changes in the market. The values assigned to key assumptions are based on external information sources.

18. PREPAID LEASE PAYMENTS

	2008 HK\$'000	2007 HK\$'000
CARRYING AMOUNT		
At beginning of the year	19,098	–
Exchange realignment	1,229	–
Additions	–	19,310
Acquired on acquisition of additional interest in a jointly controlled entity	3,510	–
Charged to consolidated income statement	(570)	(212)
	<u>23,267</u>	<u>19,098</u>
At end of the year	<u>23,267</u>	<u>19,098</u>

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	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Analysed as:		
Current	538	424
Non-current	<u>22,729</u>	<u>18,674</u>
	<u>23,267</u>	<u>19,098</u>

The prepaid lease payments represent leasehold interest in the PRC with rights to use the land under medium term leases and are amortised over 45 years on a straight-line basis.

At 31 December 2007, the Group has pledged the land use rights having a carrying amount of HK\$19,098,000 to secure short term bank borrowings. During the year ended 31 December 2008, the legal charge released upon settlement of the relevant bank loans.

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Index-linked note	<u>2,684</u>	<u>2,340</u>

The index-linked note is denominated in United States dollars ("USD") with principal amount of USD300,000. The note does not bear any interest and the Group is entitled to a 100% principal protection level ("Principal Protection Clause") if the note is not redeemed before its maturity date. The Group has an option to redeem the note on or before maturity, settled at the valuation amount provided by the counterparty bank which will be determined based on the exchange rate movements on certain specified currencies at the redemption date. Early redemption is not covered by the Principal Protection Clause.

The index-linked note is designated as financial asset at fair value through profit or loss upon initial recognition as it contains an embedded derivative. The maturity date of the index-linked note is July 2012 and the index-linked note is therefore classified as non-current. At 31 December 2008 and 2007, the fair value of the index-linked note was determined based on the exchange rate movements on certain specified currencies as valuation amount provided by the counterparty bank.

The index-linked note has been pledged to secure banking facilities granted to the Group.

20. INVENTORIES

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Raw materials and consumables	33,123	77,559
Work in progress	9,650	8,721
Finished goods	<u>5,012</u>	<u>59,784</u>
	<u>47,785</u>	<u>146,064</u>

21. LOAN RECEIVABLES

	2008 HK\$'000	2007 HK\$'000
Loan receivables comprise:		
Interest-bearing loan receivable (<i>note a</i>)	30,000	24,000
Non-interest bearing loan receivable (<i>note b</i>)	–	7,500
Interest-bearing loan receivable from a joint venture partner (<i>note c</i>)	–	17,433
	<u>30,000</u>	<u>48,933</u>
Analysed as:		
Current	30,000	24,000
Non-current	–	24,933
	<u>30,000</u>	<u>48,933</u>

Notes:

- (a) The loan represents the amount drawn down and remained outstanding as at 31 December 2008 and 2007 from a HK\$30 million facility granted by the Group to an independent third party (“ITP”) during the year ended 31 December 2007. The loan is secured and bears interest at the Hong Kong prime rate offered by The Hong Kong and Shanghai Banking Corporation plus 5% and is originally repayable after 6 months from the loan agreement date of 3 December 2007. During the year ended 31 December 2008, the Group entered into two extension agreements with the ITP and the maturity date of the facility is extended to 28 May 2009. As at 31 December 2008, the HK\$30 million loan receivables would otherwise be past due if the facility was not renegotiated. The Group has assessed the ITP’s credit quality and the balance is not past due in accordance with the extension agreements at the balance sheet date. Accordingly, no impairment loss is required to be recognised in the consolidated financial statements. The loan continues to be secured by certain equity securities listed on the Stock Exchange held by the ITP. In addition, as a result of the extension of the facility and increase in the drawdown amount, the Group obtained a note of convertible bond issued by a company on the Stock Exchange held by the ITP as additional securities during the year ended 31 December 2008.
- (b) The amount at 31 December 2007 represented a loan advanced to a wholly owned subsidiary of Vision Tech. Vision Tech is a listed company on the Stock Exchange and the Company became a controlling shareholder of Vision Tech during the year ended 31 December 2008. The amount was unsecured and interest free. The balance was settled in full during the year ended 31 December 2008.
- (c) The amount at 31 December 2007 represented advance to a joint venture partner made during the year ended 31 December 2006. The amount was unsecured and bore interest at 10% per annum. During the year ended 31 December 2008, the balance was settled in full.

22. TRADE AND OTHER RECEIVABLES

	2008 HK\$'000	2007 HK\$'000
Trade receivables	738,299	502,304
Bills receivables	30,912	28,756
	<u>769,211</u>	<u>531,060</u>
Other tax recoverable	9,185	–
Prepayments to an associated company of a joint venture partner (<i>note a</i>)	67,129	–
Prepayments to other suppliers	35,140	72,755
Margin deposits to financial institutions	34,468	20,353
Other receivables and deposits (<i>note b</i>)	15,120	46,934
	<u>930,253</u>	<u>671,102</u>
Total trade and other receivables	<u>930,253</u>	<u>671,102</u>

Notes:

- (a) As at 31 December 2008, prepayment to an associated company of a joint venture partner represents the prepayment for purchase of scrap copper.
- (b) As at 31 December 2007, other receivables included balances of HK\$14,890,000 receivable from independent third parties. The amounts were unsecured and interest free and were fully repaid during the year ended 31 December 2008. In addition, as at 31 December 2007, a balance of HK\$23,173,000 was receivable from a bank in respect of commodity forward trading settlement balance. This amount was settled in full during the year ended 31 December 2008.

The Group allows on average credit period of 90 days to its trade customers. At the discretion of the directors, several major customers are allowed to settle their balances beyond the normal credit terms up to 180 days. The following is an aged analysis of trade and bills receivables at the reporting date:

	2008 HK\$'000	2007 HK\$'000
0-30 days	204,854	321,239
31-60 days	105,298	106,572
61-90 days	165,497	103,249
91-120 days	293,562	–
	<u>769,211</u>	<u>531,060</u>

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits and credit quality attributed to customers are reviewed regularly. Management closely monitors the credit quality of trade and other receivables and considers the trade and other receivables that are neither past due nor impaired to be of a good credit quality based on the good payment history of the related debtors from historical experience. No allowance has been made for each of the years ended 31 December 2008 and 2007.

Included in the Group's trade and bills receivables balance are debtors with aggregate carrying amount of HK\$10,915,000 (2007: nil) which are past due at the reporting date for which the Group had not provided for impairment loss, as there has not been significant changes in credit quality and the amounts are still considered recoverable based on the relationship and repayment history from the debtors. The Group does not hold any collateral over these balances. The average age of these receivables is 103 days in 2008 (2007: n/a).

Ageing of trade and bills receivables which are past due but not impaired

	2008 HK\$'000	2007 HK\$'000
91-120 days	<u>10,915</u>	<u>–</u>

Included in trade and bills receivables are the following amount denominated in currency other than functional currency of the relevant group entities:

	2008 HK\$'000 <i>Equivalent</i>	2007 HK\$'000 <i>Equivalent</i>
USD	<u>231,882</u>	<u>275,646</u>

23. TRADE RECEIVABLE FROM A JOINT VENTURE PARTNER

Trade receivable from a joint venture partner is unsecured, interest-free and aged within 90 days (2007: 90 days).

The balance was not past due at the reporting date and the Group does not hold any collateral over this balance.

The management closely monitors the credit quality of the balance and considers the balance that is neither past due nor impaired to be of a good credit quality.

24. HELD-FOR-TRADING INVESTMENTS

	2008 HK\$'000	2007 HK\$'000
Held-for-trading investments include:		
Listed securities		
– Equity securities listed in Hong Kong	<u>24,836</u>	<u>9,673</u>

The investments represent investments in listed equity securities in Hong Kong which present the Group with opportunity for return through dividend income and trading gain. The fair value of these securities at 31 December 2008 and 2007 is based on bid prices quoted in active market.

25. DERIVATIVE FINANCIAL INSTRUMENTS

	2008 HK\$'000	2007 HK\$'000
Commodity forward contracts-Copper cathode (<i>note a</i>)		
– Derivative financial assets	25,205	1,999
– Derivative financial liabilities	(22)	(1,126)
Foreign currency swap contracts not under hedge accounting (<i>note b</i>)	<u>–</u>	<u>–</u>
	<u>25,183</u>	<u>873</u>

Notes:

- (a) The Group utilises commodity forward contracts to hedge forecasted purchase and sale of copper concentrate and/or related materials. These arrangements are designed to address significant fluctuation in the price of copper concentrate and/or related materials which move in line with the price of copper cathode. However, the Group does not designate these forward contracts as hedging instruments according to HKAS 39 “Financial instruments: recognition and measurement”. Accordingly, they are treated as financial assets or financial liabilities held for trading and included in fair value through profit or loss. The respective unrealised gain/loss is recognised in the consolidated income statement and the respective balance is recognised under current assets and current liabilities.

As at 31 December 2008, the fair value of commodity forward contracts of the Group which are not designated as hedging instruments amounting to HK\$25,205,000 (2007: HK\$1,999,000) and HK\$22,000 (2007: HK\$1,126,000) were recognised as current assets and current liabilities respectively in the consolidated balance sheet. Fair values of commodity forward contracts were determined by reference to the market forward price of related metals quoted from the London Metal Exchange and the Shanghai Futures Exchange as at year end.

The major terms of these contracts (with net settlement option) at 31 December 2008 and 2007 were as follows:

	2008	2007
Position: Sell forward contracts quantities (in tonnes)	5,857	3,030
Price per tonne (HK\$)	22,331-36,504	51,920-62,092
Delivery period	<u>Jan 2009-Nov 2009</u>	<u>Jan 2008-Mar 2008</u>
Position: Buy forward contracts quantities (in tonnes)	4,880	N/A
Price per tonne (HK\$)	23,821-40,279	N/A
Delivery period	<u>Jan 2009-Nov 2009</u>	<u>N/A</u>

- (b) The Group has no foreign currency swap contracts as at 31 December 2007. Major terms of the foreign currency swap contracts with net settlement option at 31 December 2008 are as follows:

Notional amount	Maturity date	Swaps
USD1,000,000/ USD3,000,000	January 2009 to January 2010	(i) the Group will receive USD1,000,000 while paying HK\$ at forward rate of 7.7490 if the expiry reference rate* is greater than or equal to 7.7490.
		(ii) the Group will receive USD3,000,000 while paying HK\$ at forward rate of 7.7490 if the expiry reference rate* is less than 7.7490.

- * Expiry reference rate is determined by the counterparty bank by reference to the USD/HK\$ mid rate which is publicly available on the expiry date.

As at 31 December 2008, the fair value of the foreign currency swap contracts which is estimated using valuation provided by the counterparty bank was insignificant.

26. BANK BALANCES AND CASH/PLEDGED BANK DEPOSITS

	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash at banks and in hand	99,388	145,047
Pledged bank deposits	43,711	26,918
	<u>143,099</u>	<u>171,965</u>

Bank balances carry interest at market rates which range from 0.4% to 1% (2007: 1% to 1.5%) per annum. The pledged deposits carry fixed interest at rate of 0.6% to 4% (2007: 3% to 4%) per annum.

Pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group. Deposits amounting to HK\$43,711,000 (2007: HK\$26,918,000) have been pledged to secure short term trade financing from banks and are therefore classified as current assets.

Included in pledge bank deposits and cash at banks of HK\$8,983,000 (2007: HK\$2,424,000) and HK\$14,375,000 (2007: HK\$15,016,000) respectively are kept in banks registered in the PRC and Renminbi is not a freely convertible currency.

In addition, included in the bank balances and cash are the following amount denominated in currency other than the functional currency of the relevant group entities:

	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Equivalent</i>	<i>Equivalent</i>
USD	<u>44,523</u>	<u>39,766</u>

27. TRADE AND OTHER PAYABLES

	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	41,972	79,390
Bills payables	44,916	12,005
	<u>86,888</u>	<u>91,395</u>
Deposits received from a jointly controlled entity (<i>note</i>)	40,561	–
Other payables and accruals	13,491	15,025
	<u>140,940</u>	<u>106,420</u>

Note: As at 31 December 2008, deposits received from a jointly controlled entity represents the deposits for sales of scrap copper.

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The following is an aged analysis of trade and bills payables at the balance sheet date:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
0-30 days	35,280	89,601
31-60 days	–	1,794
61-90 days	4,439	–
91-180 days	44,916	–
Over 180 days	2,253	–
	<u>86,888</u>	<u>91,395</u>

The average credit period on purchases of goods is 30 days.

Included in bills payables at 31 December 2008 is an amount of HK\$17,100,000 (2007: nil) which is for settlement of a trade payable due to an associated company of a joint venture partner.

All of the other payables are unsecured, interest free and expected to be settled within one year.

Included in trade and bills payables are the following amount denominated in currency other than the functional currency of the relevant group entities.

	2008 <i>HK\$'000</i> <i>Equivalent</i>	2007 <i>HK\$'000</i> <i>Equivalent</i>
USD	<u>21,104</u>	<u>6,745</u>

28. BANK BORROWINGS

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Borrowing which are repayable within one year comprise the following:		
Bank loans (<i>note</i>)	213,753	126,495
Trust receipts loans	<u>93,585</u>	<u>87,796</u>
	<u>307,338</u>	<u>214,291</u>
Analysed as:		
Secured	93,585	132,762
Unsecured	<u>213,753</u>	<u>81,529</u>
	<u>307,338</u>	<u>214,291</u>

Note: As at 31 December 2008, the Group factored bills receivable of HK\$28,080,000 (2007: HK\$27,944,000) to a bank with full recourse. The finance charge in relation to factorisation of the bills receivable was borne by the Group. The related bank loan of HK\$28,080,000 was fully settled in March 2009 and was classified as current liability.

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The exposure of the Group's borrowings and the contractual maturity dates are as follows:

	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Carrying amount repayable on demand or within one year:		
Fixed-rate borrowings	138,618	90,154
Variable-rate borrowings	<u>168,720</u>	<u>124,137</u>
	<u>307,338</u>	<u>214,291</u>

The ranges of effective interest rate (which are also equal to contracted interest rate) on the Group's borrowings are as follow:

	2008	2007
Effective interest rate:		
Fixed-rate borrowings	6.12% to 10.48%	5.832% to 6.480%
Variable-rate borrowings	2.50% to 10.48%	5% to 5.83%

Included in the interest rate of variable-rate borrowings are based on the rates quoted by the People's Bank of China. The trust receipt loans carry interest at prevailing market rates.

The Group's borrowings are the following amount denominated in currency other than the functional currency of the relevant group entities:

	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Equivalent</i>	<i>Equivalent</i>
USD	<u>185,884</u>	<u>120,759</u>

29. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 January 2007, 31 December 2007 and 31 December 2008	<u>25,000,000,000</u>	<u>250,000</u>
Issued and fully paid:		
At 1 January 2007	3,608,212,570	36,082
Issue of shares (<i>note a</i>)	573,540,000	5,735
Exercise of share options (<i>note b</i>)	4,400,000	44
Exercise of warrants subscription right (<i>note c</i>)	7,976,000	80
Share repurchased (<i>note d</i>)	(59,100,000)	(591)
At 31 December 2007 and 1 January 2008	4,135,028,570	41,350
Exercise of share options (<i>note e</i>)	4,000,000	40
Shares repurchased (<i>note f</i>)	<u>(7,680,000)</u>	<u>(77)</u>
At 31 December 2008	<u>4,131,348,570</u>	<u>41,313</u>

Notes:

- (a) On 14 June 2007, the Company entered into a subscription agreement with CA Ltd., the controlling shareholder of the Company, to allot and issue 573,540,000 ordinary shares of HK\$0.01 each at a subscription price of HK\$ 0.81 per share. The subscription agreement is conditional upon completion of the placing of 573,540,000 ordinary shares of the Company made by the placing agent on behalf of CA Ltd.. On 20 June 2007, following completion of the placing, 573,540,000 ordinary shares of HK\$ 0.01 were issued to CA Ltd. pursuant to the subscription agreement.
- (b) During the year ended 31 December 2007, Mr. Leung Hon Chuen, Mr. Poon Kwok Shin and an employee exercised share options amounting to 4,400,000 shares at a subscription price of HK\$0.205 per share.
- (c) On 25 July 2007, 7,976,000 units of warrants were exercised. Details of the Company's warrants are set out in note 30.
- (d) During the year ended 31 December 2007, the Company repurchased its own shares on the Stock Exchange as follows:

Month of repurchase	Number of ordinary shares	Highest	Lowest	Aggregate consideration paid
January 2007	23,500,000	HK\$0.200	HK\$0.189	HK\$ 4,688,540
August 2007	<u>35,600,000</u>	<u>HK\$0.600</u>	<u>HK\$0.470</u>	<u>HK\$20,084,000</u>

- (e) During the year ended 31 December 2008, Mr. Chu Kwok Chi, Robert and an employee exercised share options amounting to 4,000,000 shares at a subscription price ranging from HK\$0.205 to HK\$0.300 per share.

- (f) During the year ended 31 December 2008, the Company repurchased its own shares on the Stock Exchange as follows:

Month of repurchase	Number of ordinary shares	Highest	Lowest	Aggregate consideration paid
January 2008	<u>7,680,000</u>	<u>HK\$0.375</u>	<u>HK\$0.290</u>	<u>HK\$2,437,978</u>

The shares repurchased by the Company during both years were cancelled. None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during both years.

30. WARRANTS

On 14 June 2007, the Company entered into a warrant placing agreement with the placing agent pursuant to which the placing agent agreed to place warrants attaching the rights to subscribe for 143,380,000 shares of the Company on the bases of an initial exercise price of HK\$0.94 per warrant share, on behalf of the Company, to placees who are independent of the Company and its connected persons, at the issue price of HK\$0.08 per warrant. The warrants were exercisable from 29 June 2007 to 28 June 2008.

During the year ended 31 December 2007, 7,976,000 new ordinary shares of the Company were issued on exercise of the warrants.

No warrants were exercised during the year ended 31 December 2008 before the expiry of the warrants on 28 June 2008. The remaining balance of the warrant reserve amounting to HK\$10,832,000 was transferred to accumulated profits.

31. SHARE OPTIONS

The Company

The Company's share option scheme (the "Scheme") was adopted for a period of 10 years commencing 6 November 2006 pursuant to an ordinary resolution passed at the special general meeting of the shareholders held on 6 November 2006 for the purpose of providing incentives or rewards to selected employees and directors for their contribution to the Group.

Under the Scheme, the Company may grant options to selected employees and directors of the Company and its subsidiaries to subscribe for shares in the Company. Additionally, the Company may, from time to time, grant share options to eligible vendors, customers, advisors and consultants to the Company and its subsidiaries at the discretion of the board of directors of the Company.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point of time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders, independent non-executive directors, or any of their respective associates (including a discretionary trust whose discretionary objects include substantial shareholders, independent non-executive directors, or any of their respective associates) in excess of 0.1% of the Company's share capital or with a value in excess of HK\$5,000,000 must be also approved by the Company's shareholders.

The exercise price of the share options is determinable by the directors, but may not be less than the highest of: (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options which must be a business day; (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 Company's shares.

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As at 31 December 2008, options to subscribe for an aggregate of 210,060,000 shares (2007: 247,240,000 shares) of the Company granted to the directors and certain employees pursuant to the Scheme remained outstanding.

Details of the movements in the number of share options during the year under the Scheme are as follows:

Option type	Date of grant	Exercisable period (both dates inclusive)	Exercise price HK\$	Outstanding at 1.1.2007	Granted during the year	Exercise during the year	Outstanding at 1.1.2008	Exercise during the year	Forfeited during the year	Outstanding at 31.12.2008
Directors:										
A	31 January 2007	21 February 2007 – 31 December 2009	0.205	–	20,500,000	(2,400,000)	18,100,000	(1,340,000)	–	16,760,000
B	31 January 2007	1 January 2008 – 31 December 2009	0.205	–	18,260,000	–	18,260,000	(660,000)	–	17,600,000
C	31 January 2007	1 January 2009 – 31 December 2009	0.205	–	16,000,000	–	16,000,000	–	–	16,000,000
D	21 February 2007	28 February 2007 – 31 December 2009	0.300	–	680,000	–	680,000	–	–	680,000
E	21 February 2007	1 January 2008 – 31 December 2009	0.300	–	2,140,000	–	2,140,000	–	–	2,140,000
F	21 February 2007	1 January 2009 – 31 December 2009	0.300	–	4,340,000	–	4,340,000	–	–	4,340,000
				–	61,920,000	(2,400,000)	59,520,000	(2,000,000)	–	57,520,000
Employees:										
A	31 January 2007	21 February 2007 – 31 December 2009	0.205	–	57,500,000	(2,000,000)	55,500,000	(1,000,000)	(10,060,000)	44,440,000
B	31 January 2007	1 January 2008 – 31 December 2009	0.205	–	57,500,000	–	57,500,000	–	(10,060,000)	47,440,000
C	31 January 2007	1 January 2009 – 31 December 2009	0.205	–	55,320,000	–	55,320,000	–	(10,060,000)	45,260,000
E	21 February 2007	1 January 2008 – 31 December 2009	0.300	–	7,200,000	–	7,200,000	(1,000,000)	(1,500,000)	4,700,000
F	21 February 2007	1 January 2009 – 31 December 2009	0.300	–	9,200,000	–	9,200,000	–	(1,500,000)	7,700,000
G	15 August 2007	15 August 2008 – 15 August 2011	0.642	–	1,000,000	–	1,000,000	–	–	1,000,000
H	15 August 2007	15 August 2009 – 15 August 2011	0.642	–	1,000,000	–	1,000,000	–	–	1,000,000
I	15 August 2007	15 August 2010 – 15 August 2011	0.642	–	1,000,000	–	1,000,000	–	–	1,000,000
				–	189,720,000	(2,000,000)	187,720,000	(2,000,000)	(33,180,000)	152,540,000
Total				–	251,640,000	(4,400,000)	247,240,000	(4,000,000)	(33,180,000)	210,060,000

The vesting period ends on the date when the exercisable period of the share options begin.

In respect of the share options exercised during the year ended 31 December 2008, the share price at the dates of exercise ranged from HK\$0.290 to HK\$0.310 (2007: HK\$0.610 to HK\$0.870) and the weighted average share price is HK\$0.300 (2007: HK\$0.681).

The Company used the Binomial model (the “Model”) with the consideration of vesting period and possible exercise pattern to value the share options granted during the year ended 31 December 2007. The Model is one of the commonly used models to estimate the fair value of share options. The value of an option varies with different variables of certain subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of an option.

The share options were granted on 31 January 2007, 21 February 2007 and 15 August 2007. The estimated fair value of the options granted on those dates was as follows:

Option type	Grant date	Fair value HK\$
A	31 January 2007	0.0562
B	31 January 2007	0.0603
C	31 January 2007	0.0664
D	21 February 2007	0.0645
E	21 February 2007	0.0684
F	21 February 2007	0.0765
G	15 August 2007	0.2123
H	15 August 2007	0.2346
I	15 August 2007	0.2522

The inputs into the Model were as follows:

	Option type								
	A	B	C	D	E	F	G	H	I
Share price on grant date (HK\$)	0.205	0.205	0.205	0.270	0.270	0.270	0.642	0.642	0.642
Exercise price (HK\$)	0.205	0.205	0.205	0.300	0.300	0.300	0.642	0.642	0.642
Expected volatility	44.87%	44.87%	44.87%	44.76%	44.76%	44.76%	47.88%	47.88%	47.88%
Expected life (years)	1.92	1.92	1.92	1.75	1.75	1.75	4.00	4.00	4.00
Risk-free rate	4.059%	4.059%	4.059%	4.108%	4.108%	4.108%	4.126%	4.126%	4.126%
Expected dividend yield	0.45%	0.45%	0.45%	0.45%	0.45%	0.45%	0.45%	0.45%	0.45%

The Group recognised an expense in the consolidated income statement of approximately HK\$3.4 million (2007: HK\$12.5 million) for the year ended 31 December 2008 in relation to share options granted by the Company.

Subsidiary

A subsidiary of the Company, Vision Tech, also operates a share option scheme (the “Subsidiary’s Scheme”). The Subsidiary’s Scheme was adopted pursuant to an ordinary resolution passed at the annual general meeting of Vision Tech’s shareholders held on 18 July 2008 for the purpose of providing incentives or rewards to selected participants for contribution they have made or may make to Vision Tech and/or to enable Vision Tech to recruit and retain high-calibre employees and attract human resources that are valuable to Vision Tech.

Under the Subsidiary’s Scheme, the board of directors of Vision Tech may grant options to selected employees and directors of Vision Tech and its subsidiaries to subscribe for shares in Vision Tech. Additionally, Vision Tech may, from time to time, grant share options to eligible vendors, customers, advisors and consultants of Vision Tech at the discretion of the board of directors of Vision Tech.

The total number of shares in respect of which options may be granted under the Subsidiary’s Scheme is not permitted to exceed 10% of the shares of Vision Tech in issue at any point of time, without prior approval from the Vision Tech’s shareholders. The number of shares of Vision Tech issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of Vision Tech in issue at any point in time, without prior approval from Vision Tech’s shareholders. Options granted to Vision Tech’s substantial shareholders, independent non-executive directors, or any of their respective associates (including a discretionary trust whose discretionary objects include substantial shareholders, independent non-executive directors, or any of their respective associates) in excess of 0.1% of Vision Tech’s share capital or with a value in excess of HK\$5,000,000 must be also approved by Vision Tech’s shareholders.

HK\$1 is payable on the grant of an option. The exercise price of the share options is determinable by the directors of Vision Tech which shall be no less than the highest of: (i) the closing price of the shares of Vision Tech as stated in the daily quotations sheet issued by the Stock Exchange on the offer of the share options which must be a business day; (ii) the average closing price of the shares of Vision Tech as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the offer; and (iii) the nominal value of the shares of Vision Tech on the date of grant.

As at 31 December 2008, the number of shares in respect of which options had been granted and remained outstanding under the Subsidiary's Scheme was 123,860,000, representing 9.6% of the shares of Vision Tech in issue at that date.

Details of Vision Tech's options are as follows:

Option type	Date of grant	Exercise period	Exercise price HK\$	Fair value at grant date HK\$
AA	27 August 2008	27 August 2008 – 20 August 2011	0.136	0.0393
BB	27 August 2008	27 August 2008 – 20 August 2011	0.136	0.0336
CC	10 October 2008	10 October 2008 – 9 October 2011	0.100	0.0120

In accordance with the terms of Vision Tech's share-based arrangement, options issued during the year ended 31 December 2008 vested at the date of grant.

Vision Tech used the Model with the consideration of vesting period and possible exercise pattern to value the share options granted during the year ended 31 December 2008. The Model is one of the commonly used models to estimate the fair value of share options. The value of an option varies with different variables of certain subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of an option.

The inputs into the Model were as follows:

	Option type		
	AA	BB	CC
Share price on grant date (HK\$)	0.144	0.144	0.080
Exercise price (HK\$)	0.136	0.136	0.100
Expected volatility	33.68%	33.68%	36.14%
Expected life (years)	2.98	2.98	3
Risk-free rate	2.397%	2.397%	1.669%
Expected dividend yield	0%	0%	0%

APPENDIX I

FINANCIAL INFORMATION OF THE GROUP

Details of the movements in the number of Vision Tech's share options during the year under the Subsidiary's Scheme are as follows:

Option type	Outstanding at 1.1.2007, 31.12.2007 and 1.1.2008	Grant during the year	Outstanding at 31.12.2008
Directors of the Company:			
AA	–	15,500,000	15,500,000
Directors of Vision Tech:			
AA	–	3,200,000	3,200,000
Employees of Vision Tech and its subsidiaries:			
BB	–	6,200,000	6,200,000
Others:			
BB	–	4,960,000	4,960,000
CC	–	94,000,000	94,000,000
	<u>–</u>	<u>123,860,000</u>	<u>123,860,000</u>

The Group recognised an expense in the consolidated income statement of approximately HK\$2.2 million (2007: nil) for the year ended 31 December 2008 in relation to share options granted by Vision Tech.

32. JOINT VENTURE

The Group has the following significant interest in a joint venture:

Name of entity	Place of registrations operations	Nominal value of registered capital	Effective percentage of interest held by the Group	Principal activities
Qingyuan JCCL EPI Copper Limited ("JCCL EPI")	PRC	RMB90,000,000	60% (2007: 51%)	Production of copper anode

The Group holds 60% (2007: 51%) of the registered capital of JCCL EPI and is entitled to nominate three out of five directors of JCCL EPI. During the year ended 31 December 2008, the Group acquired an additional 9% equity interest in JCCL EPI from a joint venture partner. The board of directors of JCCL EPI continue to comprise three directors appointed by the Group and two directors appointed by the other remaining joint venture partner. However, under the shareholders' agreement, all resolutions of JCCL EPI have to be passed with the approval of all its directors. Therefore, JCCL EPI is classified as a jointly controlled entity of the Group.

The following amounts are included in the Group's consolidated financial statements as a result of the proportionate consolidation with the line-by-line reporting format of the above joint venture:

	2008 HK\$'000	2007 HK\$'000
Non-current assets	56,137	43,940
Current assets	244,660	207,332
Current liabilities	253,565	187,591
Income	881,560	760,246
Expenses	<u>911,769</u>	<u>746,087</u>

33. ACQUISITION OF SUBSIDIARIES

As set out in the Company's circular dated 20 July 2007, the Group entered into a subscription agreement with Vision Tech, principal business of which involves the trading and distribution of audio-visual products and home appliances. In accordance with the subscription agreement, the Group has conditionally agreed to subscribe for and Vision Tech has conditionally agreed to issue and allot 750,000,000 new ordinary shares of Vision Tech at a subscription price of HK\$0.10 per share.

The transaction was completed on 3 March 2008 and the Group acquired 57.92% equity interest in Vision Tech for a consideration of HK\$75,000,000 which was satisfied in cash. Vision Tech became a subsidiary of the Company. The acquisition was accounted for by the purchase method of accounting.

Further details of the subscription are set out in the Company's circular dated 20 July 2007.

The acquiree's carrying amounts and fair values of the net assets acquired in the transaction, and the goodwill arising, are as follows:

	2008
	<i>HK\$'000</i>
	<i>(note)</i>
Net assets acquired:	
Property, plant and equipment	735
Inventories	257
Trade and other receivables	8,930
Bank balances and cash	128,358
Trade and other payables	(33,201)
Taxation payable	(1,481)
	<u>103,598</u>
Minority interests	<u>(43,594)</u>
	60,004
Goodwill	<u>14,996</u>
Total consideration, satisfied by cash	<u><u>75,000</u></u>
Net cash inflow arising on acquisition:	
Cash consideration paid	(75,000)
Cash and cash equivalents acquired	<u>128,358</u>
	<u><u>53,358</u></u>

Notes: Carrying amount of the acquirees' net assets acquired before combination to the same as its fair value.

The goodwill arising on the acquisition is attributable to the anticipated future operating synergies with the existing operation of the Group after the business combination is consummated.

Vision Tech contributed a loss of HK\$9,125,000 to the Group's loss for the period between the date of acquisition and the balance sheet date.

If the acquisition had been completed on 1 January 2008, total group revenue for the year would have been approximately HK\$2,620 million and loss for the year would have been HK\$7,274,000. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of the Group that actually would have been achieved had the acquisition been completed on 1 January 2008, nor is it intended to be a projection of future events.

34. ACQUISITION OF ADDITIONAL INTEREST IN A JOINTLY CONTROLLED ENTITY THROUGH PURCHASE OF A SUBSIDIARY

On 11 August 2008, the Group entered into an agreement with a joint venture partner in relation to the acquisition of an additional 9% equity interest in JCCL EPI. The transaction was completed on 17 September 2008 upon the approval by the independent shareholders of the Company. The Group acquired the additional 9% interest in the jointly controlled entity through purchase of the entire equity interests of Big Base Enterprises Limited ("Big Base") for a total consideration of HK\$25,000,000. Big Base has not commenced other businesses at the date of acquisition of additional equity interest.

The principal asset of Big Base is 9% equity interest in JCCL EPI. The Group is in substance acquiring additional interest in JCCL EPI and the acquisition did not result in any change in control of JCCL EPI and accordingly there is no change in the classification of JCCL EPI from a jointly controlled entity to a subsidiary.

Further details of this transaction are set out in the Company's circular dated 1 September 2008.

The net assets acquired in respect of the 9% additional equity interest in JCCL EPI, and the goodwill arising, are as follows:

	2008 <i>HK\$'000</i>
Net assets acquired:	
Property, plant and equipment	4,790
Prepaid lease payments	3,510
Inventories	9,918
Trade and other receivables	26,349
Bank balances and cash	4,182
Trade and other payables	(23,790)
Bank borrowings	<u>(14,210)</u>
	10,749
Goodwill	<u>14,251</u>
Total consideration, satisfied by cash	<u><u>25,000</u></u>
Net cash outflow arising on acquisition:	
Cash consideration paid	(25,000)
Cash and cash equivalents acquired	<u>4,182</u>
	<u><u>(20,818)</u></u>

The goodwill arising on the acquisition is attributable to the anticipated further earning capabilities of the Group at the date of acquisition. As at 31 December 2008, the directors considered that goodwill arising from acquisition of additional interest in JCCL EPI was impaired, details of which are disclosed in note 17.

35. DISPOSAL OF A SUBSIDIARY

On 31 March 2008, the Group disposed of its equity interest in a then subsidiary ("Disposed Subsidiary") for a consideration of HK\$5,000. The net assets of the Disposed Subsidiary at the date of disposal were as follows:

	2008 <i>HK\$'000</i>
NET ASSETS DISPOSED OF	
Inventories	63
Trade and other receivables	528
Bank balances and cash	11
Other payables	<u>(308)</u>
	294
Loss on disposal	<u>(289)</u>
Total consideration, satisfied by cash	<u><u>5</u></u>
Net cash outflow arising on disposal:	
Cash consideration	5
Bank balances and cash disposed of	<u>(11)</u>
	<u><u>(6)</u></u>

The financial impact of the Disposed Subsidiary on the Group's results and cash flows in the current year is insignificant.

36. PLEDGE OF ASSETS

At 31 December 2008, the following assets were pledged to secure the Group's bank borrowings and banking facilities:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Property, plant and equipment	–	8,763
Prepaid lease payments	–	19,098
Index-linked note	2,684	2,340
Pledged bank deposits	<u>43,711</u>	<u>26,918</u>
	<u><u>46,395</u></u>	<u><u>57,119</u></u>

37. OPERATING LEASE COMMITMENTS

At 31 December 2008, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Within one year	7,280	4,253
In the second to fifth year, inclusive	<u>4,241</u>	<u>2,698</u>
	<u>11,521</u>	<u>6,951</u>

The Group leases certain of its office properties and buildings under operating lease arrangements. Leases for properties are negotiated for terms of three years.

38. CAPITAL COMMITMENTS

At the balance sheet date, the Group had the following capital commitments:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	<u>630</u>	<u>13,467</u>

39. RETIREMENT BENEFITS SCHEMES

The Group contributes to MPF Schemes for all qualifying employees employed under the jurisdiction of the Hong Kong Employment Ordinance. Contributions to the MPF Schemes by the Group and the employees are calculated as a percentage of employee's relevant income. The retirement benefit scheme costs charged to the consolidated income statement represent contributions payable by the Group to the funds. The assets of the MPF Schemes are held separately from those of the Group in independently administered funds.

The Group (including its subsidiaries and jointly controlled entity) also participates in the employees' pension schemes of the respective municipal governments in various places in the PRC where the Group operates. The Group makes monthly contributions calculated as a percentage of the monthly basic salary and the relevant municipal government undertakes to assume the retirement benefit obligations of all existing and future retirees of the Group.

The Group has no other obligations for the payment of pension and other post-retirement benefits of employees other than the above contributions payments.

40. RELATED PARTY TRANSACTIONS

- (a) During the year, the Group entered into the following significant transactions with the following related parties:

Name of related party	Nature of transaction	2008 HK\$'000	2007 HK\$'000
Jiangxi Copper Company Limited ("JCCL")	Sale of copper anode (note i)	881,514	749,133
JCC (Guixi) Logistics Company Limited ("JCC Logistics")	Logistics service fee (note ii)	228	556
Shenzhen Jiangtong Southern Company Limited ("SZ Jiangtong Southern")	Purchase of scrap copper (note iii)	224,287	–

Notes:

- (i) JCCL is the other joint venture partner of a jointly controlled entity in which the Group has a 60% (2007: 51%) interest.
- (ii) JCC Logistics is a 64% owned indirect subsidiary of JCCL.
- (iii) SZ Jiangtong Southern is an associated company of JCCL.

In addition, the Group also entered into a cooperation agreement with SZ Jiangtong Southern and its subsidiary for the proposed development of the business in the overseas sourcing and import of scrap copper to the PRC. Further details of this cooperation agreement are set out in the Company's announcement dated 11 December 2008. On 10 March 2009, no conclusion has been reached between the parties to the cooperation agreement and it was then lapsed and terminated.

- (b) Balances with related parties

	2008 HK\$'000	2007 HK\$'000
Trade receivable from a joint venture partner	1,024	17,057
Loan receivable from a joint venture partner	–	17,433
Prepayments to SZ Jiangtong Southern	67,129	–
Deposits received from JCCL EPI	(40,561)	–
Bills payable to SZ Jiangtong Southern	(17,100)	–

- (c) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2008 HK\$'000	2007 HK\$'000
Short-term employee benefits	12,620	12,740
Post-employment benefits	92	65
	<u>12,712</u>	<u>12,805</u>

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

41. FINANCIAL INSTRUMENTS

Financial risk management objectives

The financial instruments are fundamental to the Group's daily operations. The Group's major financial instruments include loan receivables, trade and other receivables, trade receivable from a joint venture partner, financial assets at fair value through profit or loss, derivative financial instruments, held-for-trading investments, pledged bank deposits, bank balances and cash, trade and other payables and bank borrowings. Details of these financial instruments are disclosed on respective notes. The risks associated with the financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure that appropriate measures are implemented on a timely and effective manner.

Categories of financial instruments

	2008 HK\$'000	2007 HK\$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	992,922	836,302
Designated as at FVTPL	2,684	2,340
Held-for-trading investments	24,836	9,673
Derivative financial instruments	25,205	1,999
	<u>1,045,647</u>	<u>850,314</u>
Financial liabilities		
Amortised cost	<u>405,452</u>	<u>313,584</u>
Derivative financial instruments	<u>22</u>	<u>1,126</u>

Interest rate risk

The cash flow interest rate risk relates primarily to the Group's floating rate loan receivables and bank borrowings and in relation to short-term deposits placed in banks that are interest-bearing at market interest rates. The fair value interest rate risk relates primarily to the fixed-rate bank borrowings. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group's sensitivity to interest rate risk has been determined based on the exposure to interest rates for bank balances, bank borrowings and loan receivables at the balance sheet date and the reasonably possible change taking place at the beginning of each year and held constant throughout the year. If interest rates on bank balances, loan receivables and bank borrowings had been 50 basis points higher/lower and all other variables were held constant, the potential effect on (loss) profit for the year is as follows:

	2008 HK\$'000	2007 HK\$'000
Increase/decrease in loss for the year 2008 and decrease/increase in profit for the year 2007	<u>197</u>	<u>102</u>

The management considers that the fair value interest rate risk is insignificant as the Group had no borrowings due more than one year.

Foreign currency risk management

The functional currency of the Company and its subsidiaries which operates in Hong Kong is HK\$ in which most of the transactions are denominated. The functional currency of the Group's jointly controlled entity operating in the PRC is Renminbi in which most of its transactions are denominated. However, certain trade receivables, trade payables, bank balances and bank borrowings of the Group are denominated in USD while the relevant group entities have HK\$ as their functional currency, which expose the Group to foreign currency risk. The Group currently does not have a formal foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. During the year ended 31 December 2008, the Group entered into a USD/HKD swap forward contract as part of the foreign currency risk management.

The carrying amounts of the Group's foreign currency denominated trade and bills receivables, trade and bills payables, bank borrowings and bank balances, at the reporting date are as follows:

	Liabilities		Assets	
	2008	2007	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
USD	<u>206,988</u>	<u>127,504</u>	<u>276,405</u>	<u>315,412</u>

Foreign currency sensitivity

The following table details the Group's sensitivity to a 1% increase and decrease in HK\$ against the relevant foreign currencies. 1% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjust their translation at the year end for a 1% change in foreign currency rates. The sensitivity analysis represents the trade receivables, trade payables, bank borrowings and bank balances where the denomination are in USD, the major foreign currency risk. The sensitivity analysis also includes outstanding foreign currency swap contract. A negative number indicates increase in loss/decrease in profit for the year where HK\$ strengthens against USD. For a 1% weakening of HK\$ against USD, there would be an equal and opposite impact on the loss/profit for the year below:

	Impact of USD	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Increase in loss/decrease in profit for the year	<u>(580)</u>	<u>(1,550)</u>

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk at the year end and the sensitivity analysis does not reflect the exposure during the year.

Other price risk

The Group's investments in listed equity securities and index-linked note are measured at fair value at each balance sheet date. Therefore, the Group is exposed to various price risks. The management manages this exposure by maintaining a portfolio of investments with different risk profiles. Details of the investments in listed equity securities and index-linked note are set out in notes 24 and 19. The management has closely monitored the price risk and will consider hedging the risk exposure should the need arise. The management considered that the other price risk of the Group's index-linked note is insignificant due to its principal protection clause.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risks at the reporting date.

The management adjusted the sensitivity rate from 10% to 20% for assessing equity price risk after considering the impact of the volatile financial market condition after the third quarter of 2008.

If the prices of the respective equity instruments had been 20% higher/lower, loss for the year ended 31 December 2008 would decrease/increase by HK\$4,967,000 (2007: profit for the year ended 31 December 2007 would increase/decrease by HK\$967,000 at 10%) as a result of the changes in fair value of held-for-trading investments.

Commodity price risk

The Group's normal policy is to sell its products by reference to the prevailing market prices such as the London Metal Exchange and the Shanghai Stock Exchange. Exceptions to this rule are subject to strict limits laid down by the board of directors and to rigid internal controls. The Group is exposed to commodity prices risk of copper as the Group's metals sourcing and trading and production of copper anode segments are primarily related to copper concentrate and/or related materials. The Group may hedge certain commitments with some of its purchases and sales using commodity forward contracts. Details of commodity derivatives held at 31 December 2008 are set out in note 25.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to commodity price risk at the reporting date.

If the prices of copper had been 10% higher/lower, loss for the year ended 31 December 2008 would increase/decrease by HK\$2,518,000 (2007: profit for the year ended 31 December 2007 decrease/increase by HK\$87,000). The sensitivities are based on the assumption that the market commodity price increases/decreases by 10% with all other variables held constant. These sensitivities should be used with care. The relationship between currencies and commodity prices is a complex one and changes in exchange rates can influence commodity prices and vice versa. For the purpose of the above sensitivity analysis, exchange fluctuation is excluded.

Credit risk

As at 31 December 2008, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet; and
- the amount of loan commitment in respect of credit facility issued by the Group as disclosed in note 21.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies and state-owned banks with good reputation.

The Group's concentration of credit risk by geographical locations is mainly in the PRC and Hong Kong, which accounted for 100% (2007: 100%) of the total trade receivables as at 31 December 2008.

With respect to credit risk arising from trade receivables from a joint venture partner, other receivables and margin deposits to financial institutions, the Group's exposure to credit risk from default of counterparties are limited as the counterparties have good credit standing and the Group does not expect any significant loss for uncollected advances from these entities.

Loan receivables normally carry interest at rates with reference to banks' lending rates and are secured by collaterals. The Group has concentration of credit risk of the Group's loan receivables from a few entities. In order to minimise the credit risk, the management continuously monitors the level of exposure to ensure that follow-up actions and/or corrective actions are taken promptly to lower exposure or to recover overdue balances.

The Group has concentration of credit risk. Five largest customers represented approximately 80% (2007: 88%) of the revenue of the Group for the year ended 31 December 2008. The Group has concentration of credit risk as 87% (2007: 97%) of the total trade receivables was due from the Group's five largest customers as at 31 December 2008. Trade receivables attributable to the Group's largest debtor represented approximately 35% (2007: 28%) of the total receivables as at 31 December 2008. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual trade receivable to ensure that adequate impairment losses are made for irrecoverable amounts. In determining whether allowance for bad and doubtful debts is required, the Group has taken into consideration the aging status and the likelihood of collection. Following the identification of doubtful debts, the directors discuss with the relevant customers and report on the recoverability, specific allowance is only made for trade and other receivables that is unlikely to be collected. In this regard, the management considers that the Group's credit risk is significantly reduced.

Liquidity risk

Liquidity risk reflects the risk that the Group will have insufficient resources to meet its financial liabilities as they fall due. In managing liquidity risk, the Group monitors and maintains sufficient funds to meet all its potential liabilities as they fall due, including shareholder distributions. It is applicable to normal market conditions as well as negative projections against expected outcomes, so as to avoid any risk of incurring contractual penalties or damaging the Group's reputation.

Liquidity forecasts are produced on a monthly basis, to ensure that utilisation of current facilities is optimised; on a quarterly basis to ensure that covenant compliance targets and medium-term liquidity is maintained; and on a long-term projection basis, for the purpose of identifying long-term strategic funding requirements. The board of directors also continuously assess the balance of capital and debt funding of the Group.

The board of directors continuously manage liquidity risk on a regular basis and will increase the frequencies of such assessment should need arise. Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves of cash and banking facilities and by continuously monitoring the utilisation of bank borrowings and ensuring compliance with loan covenants.

The Group's holdings of cash and short-term deposits, together with net cash flows from operations, are expected to be sufficient to cover the operating cost of the Group in the next financial year. The management considers that the Group expects to have adequate source of funding to finance the Group and manage the liquidity position.

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The following table details the Group's remaining contractual maturity for its financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Liquidity tables

	Weighted average effective interest rate %	Less than 1 month HK\$'000	1-6 months HK\$'000	7 months to 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31.12.2008 HK\$'000
2008						
Non-derivative financial liabilities						
Trade payables	n/a	25,267	16,705	–	41,972	41,972
Bills payables	4.46	–	45,918	–	45,918	44,916
Other payables	n/a	11,226	–	–	11,226	11,226
Bank borrowings						
– fixed rate	7.76	–	141,308	–	141,308	138,618
– variable rate	5.30	–	170,895	–	170,895	168,720
		<u>36,493</u>	<u>374,826</u>	<u>–</u>	<u>411,319</u>	<u>405,452</u>
Derivative settled net						
Commodity forward contracts	n/a	<u>–</u>	<u>22</u>	<u>–</u>	<u>22</u>	<u>22</u>
2007						
Non-derivative financial liabilities						
Trade payables	n/a	77,596	1,794	–	79,390	79,390
Bills payables	n/a	12,005	–	–	12,005	12,005
Other payables	n/a	7,898	–	–	7,898	7,898
Bank borrowings						
– fixed rate	6.06	–	55,261	–	55,261	90,154
– variable rate	5.42	<u>41,824</u>	<u>120,923</u>	<u>–</u>	<u>162,747</u>	<u>124,137</u>
		<u>139,323</u>	<u>177,978</u>	<u>–</u>	<u>317,301</u>	<u>313,584</u>
Derivative settled net						
Commodity forward contracts	n/a	<u>–</u>	<u>1,126</u>	<u>–</u>	<u>1,126</u>	<u>1,126</u>

Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices.
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

The directors consider that the carrying amount of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximates to their fair values.

42. CAPITAL RISK MANAGEMENT

The Group's over-riding objectives when managing capital are to safeguard the business as a going concern; to maximise returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure in order to provide a high degree of financial flexibility at the lowest cost of capital.

The capital structure of the Group consists of debt, which includes borrowings and equity attributable to equity holders of the Company, comprising issued capital, capital reserve and accumulated profits. The Group does not have a target debt/equity ratio, but has a policy of maintaining a flexible financing structure so as to be able to take advantage of new investment opportunities that may arise.

The Company's board of directors reviews the capital structure on a continuous basis. As part of this review, the board of directors consider the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt. The Group's overall strategy remains unchanged from prior years.

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries, all of which are limited liability companies, at 31 December 2008 and 2007 are as follows:

Name of subsidiaries	Place of incorporation/ operations	Nominal value of issued and fully paid ordinary share/ registered capital	Attributable proportion of nominal value of issued/ registered capital held by the Company		Principal activities
			Directly	Indirectly	
Innovision Enterprises Limited	Hong Kong	HK\$1	–	100% (2007: 100%)	Trading of consumer electronics products (indent)
EPI Metals Limited	Hong Kong	HK\$1	–	100% (2007: 100%)	Metals sourcing and trading
Vision Tech*	Bermuda/ Hong Kong	HK\$129,496,000	–	57.92% (2007: N/A)	Investment holding
Krongate Limited	British Virgin Islands/ Hong Kong	US\$1,000	–	57.92% (2007: N/A)	Trading of consumer electronics products (indent)
Kingston Recycling Limited	Hong Kong	HK\$1	–	57.92% (2007: N/A)	Metals sourcing and trading

* Vision Tech is listed on the Stock Exchange

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities outstanding at the end of the year, or at any time during the year.

44. COMPARATIVE FIGURES

Certain comparative figures have been restated in order to conform with current year's presentation.

3. UNAUDITED INTERIM FINANCIAL STATEMENTS

Set out below is the unaudited results for the six months ended 30 June 2009 and the unaudited condensed consolidated balance sheet as at 30 June 2009, together with the notes thereto, as extracted from pages 7 to 20 of the interim report of the Company for the six months ended 30 June 2009.

Condensed Consolidated Statement of Comprehensive Income

		For the six months ended 30 June	
		2009	2008
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(unaudited)
Continuing operations			
Revenue	3	466,403	1,368,217
Cost of sales		<u>(450,565)</u>	<u>(1,277,596)</u>
Gross profit		15,838	90,621
Other income		66,155	4,497
Distribution and selling expenses		(5,752)	(15,234)
Administrative expenses		(23,754)	(36,931)
Other expenses	4	(4,152)	(18,948)
Finance costs	5	<u>(3,964)</u>	<u>(3,883)</u>
Profit before tax	6	44,371	20,122
Income tax charge	7	<u>(86)</u>	<u>(3,085)</u>
Profit for the period from continuing operations		44,285	17,037
Discontinued operation			
Profit for the period from discontinued operation	15	<u>16,611</u>	<u>–</u>
Profit for the period		<u>60,896</u>	<u>17,037</u>
Other comprehensive income			
Exchange differences arising on translation of foreign operations		<u>(509)</u>	<u>4,322</u>
Other comprehensive income for the period		<u>(509)</u>	<u>4,322</u>
Total comprehensive income for the period		<u><u>60,387</u></u>	<u><u>21,359</u></u>

		For the six months ended 30 June	
		2009	2008
	Notes	HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Profit for the period attributable to:			
Owners of the Company		78,685	20,517
Non-controlling interests		(17,789)	(3,480)
		<u>60,896</u>	<u>17,037</u>
Total comprehensive income attributable to:			
Owners of the Company		78,176	24,839
Non-controlling interests		(17,789)	(3,480)
		<u>60,387</u>	<u>21,359</u>
Earnings per share (Hong Kong cents)			
From continuing and discontinued operations	8		
– Basic		<u>1.905</u>	<u>0.50</u>
– Diluted		<u>1.905</u>	<u>0.49</u>
From continuing operations			
– Basic		<u>1.503</u>	<u>0.50</u>
– Diluted		<u>1.503</u>	<u>0.49</u>
Dividend paid	9	<u>–</u>	<u>10,328</u>

APPENDIX I**FINANCIAL INFORMATION OF THE GROUP****Condensed Consolidated Statement of Financial Position***As at 30 June 2009*

		As at 30 June 2009	As at 31 December 2008
	<i>Notes</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
Non-current assets			
Property, plant and equipment		36,852	43,334
Goodwill	<i>10</i>	–	14,996
Prepaid lease payments		22,467	22,729
Financial asset at fair value through profit and loss		<u>2,684</u>	<u>2,684</u>
		<u>62,003</u>	<u>83,743</u>
Current assets			
Inventories		214,098	47,785
Loan receivables		15,962	30,000
Trade and other receivables	<i>11</i>	662,677	930,253
Held-for-trading investments		117,586	24,836
Derivative financial instruments		11,996	25,205
Trade receivable from a joint venture partner		9,648	1,024
Prepaid lease payments		532	538
Pledged bank deposits		22,596	43,711
Bank balances and cash		<u>104,340</u>	<u>99,388</u>
		<u>1,159,435</u>	<u>1,202,740</u>

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		As at 30 June 2009 HK\$'000 (Unaudited)	As at 31 December 2008 HK\$'000 (Audited)
	<i>Notes</i>		
Current liabilities			
Trade and other payables	12	190,458	140,940
Derivative financial instruments		–	22
Borrowings	13	166,438	307,338
Current tax liabilities		<u>13,913</u>	<u>23,816</u>
		<u>370,809</u>	<u>472,116</u>
Net current assets		<u>788,626</u>	<u>730,624</u>
Total assets less current liabilities		<u>850,629</u>	<u>814,367</u>
Capital and reserves			
Issued capital	14	41,313	41,313
Reserves		<u>809,316</u>	<u>731,062</u>
Equity attributable to owners of the Company		850,629	772,375
Share options reserve of a subsidiary		–	2,238
Non-controlling interests		<u>–</u>	<u>39,754</u>
Total equity		<u>850,629</u>	<u>814,367</u>

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Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2009

	Attributable to equity holders of the Company										Total HK\$'000
	Share capital	Share premium	Contributed surplus reserve (Note)	Translation reserve	Share options reserve	Warrants reserve	Retained profits	Sub-total	Share options reserve of a subsidiary	Non-controlling interest	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2008 (audited)	41,350	591,793	60,322	3,552	12,293	10,832	61,710	781,852	–	–	781,852
Exchange differences arising on translation of foreign operations, representing total income recognised directly in equity	–	–	–	4,322	–	–	–	4,322	–	–	4,322
Profit for the year	–	–	–	–	–	–	20,517	20,517	–	(3,480)	17,037
Total comprehensive income for the period	–	–	–	4,322	–	–	20,517	24,839	–	(3,480)	21,359
Shares repurchased and cancelled	(77)	(2,361)	–	–	–	–	–	(2,438)	–	–	(2,438)
Recognition of share-based payment expense	–	–	–	–	1,600	–	–	1,600	–	–	1,600
Exercise of share options	40	875	–	–	–	–	–	915	–	–	915
Lapse of warrants	–	–	–	–	–	(10,832)	10,832	–	–	–	–
Dividend paid	–	–	–	–	–	–	(10,328)	(10,328)	–	–	(10,328)
Acquired on acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	45,608	45,608
Balance at 30 June 2008 (unaudited)	41,313	590,307	60,322	7,874	13,893	–	82,731	796,440	–	42,128	838,568
Balance at 1 January 2009	41,313	590,547	60,322	6,563	15,409	–	58,221	772,375	2,238	39,754	814,367
Exchange differences arising on translation of foreign operations, representing total income recognised directly in equity	–	–	–	(509)	–	–	–	(509)	–	–	(509)
Profit for the period	–	–	–	–	–	–	78,685	78,685	–	(17,789)	60,896
Total comprehensive income for the period	–	–	–	(509)	–	–	78,685	78,176	–	(17,789)	60,387
Disposal of subsidiary	–	–	–	–	–	–	–	–	(2,238)	(21,965)	(24,203)
Recognition of share-based payment expense	–	–	–	–	78	–	–	78	–	–	78
At 30 June 2009 (unaudited)	41,313	590,547	60,322	6,054	15,487	–	136,906	850,629	–	–	850,629

Notes:

The contributed surplus reserve represents the credit arising from capital reduction.

APPENDIX I**FINANCIAL INFORMATION OF THE GROUP****Condensed Consolidated Statement of Cash Flows***For the six months ended 30 June 2009*

	For the Six months ended 30 June	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
OPERATING ACTIVITIES		
Cash from operations	60,032	99,288
Hong Kong profits tax paid	<u>(7,618)</u>	<u>(1,967)</u>
NET CASH FROM OPERATING ACTIVITIES	<u>52,414</u>	<u>97,321</u>
INVESTING ACTIVITIES		
Interest received	331	617
Additions of prepaid lease payments	10	(1,058)
Decrease in loan receivables	14,038	1,500
Decrease (Increase) in pledged bank deposits	17,115	(2,917)
Disposal / Acquisition of a subsidiary	73,075	53,358
Increase in held-for-trading investments	(6,900)	–
Net disposal / (Purchase) of property, plant and equipment	<u>242</u>	<u>(2,302)</u>
NET CASH FROM INVESTING ACTIVITIES	<u>97,911</u>	<u>49,198</u>
FINANCING ACTIVITIES		
Dividend paid	–	(10,328)
Net payment of bank borrowings	(140,900)	(30,504)
Net payment on repurchase of shares	–	(2,438)
Proceeds from issue of shares upon exercise of share options	–	915
Interest paid	<u>(3,964)</u>	<u>(3,883)</u>
NET CASH (USED IN) FINANCING ACTIVITIES	<u>(144,864)</u>	<u>(46,238)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,461	100,281
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(509)	4,322
CASH AND CASH EQUIVALENTS AT 1 JANUARY	<u>99,388</u>	<u>145,047</u>
CASH AND CASH EQUIVALENTS AT 30 JUNE	<u><u>104,340</u></u>	<u><u>249,650</u></u>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	<u><u>104,340</u></u>	<u><u>249,650</u></u>

Notes to the Condensed Consolidated Interim Financial Statements*For the six months period ended 30 June 2009***1. BASIS OF PREPARATION AND ACCOUNTING POLICIES**

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2009 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and with Hong Kong Accounting Standard 34, *Interim Financial Reporting*.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2008.

In the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations (“new and revised HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are effective for the Group’s financial year beginning on 1 January 2009.

Presentation of financial statements

HKAS 1 (Revised 2007) has introduced a number of terminology changes, including revised titles for the condensed consolidated financial statements, and has resulted in a number of changes in presentation and disclosure.

HKFRS 8 is a disclosure Standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor Standard, HKAS 14 Segment Reporting, required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, geographical segments by location of the Group’s assets that is also the location of the Group’s operations, are the basis on which the Group reports its primary segment information. The application of HKFRS 8 has not resulted in a redesignation of the Group’s reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 (see note 3).

The adoption of the new and revised HKFRSs has had no material effect on the reported results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new or revised standards, amendments or interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of improvements to HKFRSs issued in 2008 ¹
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 ²
HKAS 27 (Revised in 2008)	Consolidated and separate financial statements ¹
HKAS 39 (Amendment)	Eligible hedged items ¹
HKFRS 2 (Amendment)	Group cash-settled share based payments transactions ³
HKFRS 3 (Revised in 2008)	Business combinations ¹
HK (IFRIC) – Int 17	Distributions of non-cash assets to owners ¹
HK (IFRIC) – Int 18	Transfers of assets from customers ⁴

¹ Effective for annual periods beginning on or after 1 July 2009.

² Amendments that are effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate.

³ Effective for annual periods beginning on or after 1 January 2010.

⁴ Effective for transfers on or after 1 July 2009.

The adoption of HKFRS 3 (Revised 2008) may affect the Group's accounting for business combinations for which the acquisition dates are on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

HKAS 27 (Revised 2008) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary that do not result in loss of control of the subsidiary. Changes in the Group's ownership interest that do not result in loss of control of the subsidiary will be accounted for as equity transactions.

The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. REVENUE AND SEGMENT INFORMATION

The Group has adopted HKFRS 8 “Operating segments” with effect from 1 January 2009, resulted in changes as set out in note 2. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Group’s chief operating decision maker in order to allocate resources to the segment and to assess its performance. The chief operating decision maker of the Group has been identified as the Chief Executive Officer.

The following is an analysis of the Group’s revenue and results by operating segments for the periods under review:

Six months ended 30 June 2009 (unaudited)

	Metals sourcing and trading <i>HK\$'000</i>	Production of copper anode <i>HK\$'000</i>	Consumer electronics <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
Continuing operations					
Revenue					
External sales	295,645	125,195	45,563	–	466,403
Inter-segment sales	<u>36,092</u>	<u>–</u>	<u>–</u>	<u>(36,092)</u>	<u>–</u>
	<u>331,737</u>	<u>125,195</u>	<u>45,563</u>	<u>(36,092)</u>	<u>466,403</u>
Segment profit/(loss)	(2,532)	411	314	–	(1,807)
Interest income					1,794
Other income					64,361
Unallocated corporate expenses					(16,013)
Finance cost					<u>(3,964)</u>
Profit before taxation					44,371
Income tax charge					<u>(86)</u>
Profit for the period					<u>44,285</u>
Discontinued operation					
Revenue					
External sales	–	–	1,773	–	1,773
Inter-segment sales	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
	<u>–</u>	<u>–</u>	<u>1,773</u>	<u>–</u>	<u>1,773</u>
Segment loss	–	–	(2,845)	–	(2,845)
Other income					350
Unallocated corporate expenses					(39,626)
Finance cost					(155)
Gain on disposal					<u>58,887</u>
Profit before taxation					16,611
Income tax charge					<u>–</u>
Profit for the period					<u>16,611</u>
Consolidated profit for the period					<u>60,896</u>

APPENDIX I**FINANCIAL INFORMATION OF THE GROUP**

Six months ended 30 June 2008 (Unaudited)

	Metals sourcing and trading HK\$'000	Production of copper anode HK\$'000	Consumer electronics HK\$'000	Total HK\$'000
Continuing operations				
Revenue				
External sales	<u>611,898</u>	<u>528,280</u>	<u>228,039</u>	<u>1,368,217</u>
Segment profit/(loss)	43,266	11,716	(7,972)	47,010
Interest income				617
Other income				3,880
Unallocated corporate expenses				(27,502)
Finance cost				<u>(3,883)</u>
Profit before taxation				20,122
Income tax charge				<u>(3,085)</u>
Consolidated profit for the period				<u>17,037</u>

All the Group's segments assets and capital expenditure incurred during the period are located in the PRC (including Hong Kong), which is considered as one geographical location in an economic environment with similar risks and returns. In addition, over 90% of the Group's revenue by geographical market based on location of customer are also located in the PRC. Accordingly, no geographical segment revenue analysis is presented.

4. OTHER EXPENSES

	For the six months ended	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Expenses incurred in exploring potential investment opportunities	1,000	–
Restructuring expenses	–	4,718
Change in fair value of financial assets classified as		
– held-for-trading	–	8,321
– derivative financial instruments	<u>3,152</u>	<u>5,909</u>
	<u>4,152</u>	<u>18,948</u>

5. FINANCE COSTS

	For the six months ended	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interest on bank borrowings wholly repayable within five years	<u>3,964</u>	<u>3,883</u>

6. PROFIT BEFORE TAX

The following items have been charged/(credited) to the profit before tax during the period:

	For the six months ended	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	1,512	600
Operating leases on land and building	2,520	3,907
Staff costs, including directors' emoluments	10,495	13,410
Share based payment under options scheme	78	1,600
Bank interest income	(331)	(617)
	<u> </u>	<u> </u>

7. INCOME TAX CHARGE

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profits for the six months ended 30 June 2009 and the six months ended 30 June 2008.

8. EARNINGS PER SHARE**From continuing and discontinued operations**

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	For the six months ended	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
<i>Earnings</i>		
Earnings for the purpose of basic earnings per share (Profit for the period attributable to owners of the Company)	<u>78,685</u>	<u>20,517</u>
<i>Number of shares</i>		
Weight average number of ordinary shares for the purpose of basic earnings per share	4,131,348	4,128,995
Effect of dilutive potential ordinary shares: Options	<u> —</u>	<u>79,342</u>
Weight average number of ordinary shares for the purpose of diluted earnings per share	<u>4,131,348</u>	<u>4,208,337</u>
<i>From continuing operations</i>		
Profit for the period attributable to owners of the Company	78,685	20,517
Less: profit for the period from discontinued operation	<u>(16,611)</u>	<u> —</u>
Earnings for the purposes of basic and diluted earnings per share from continuing operations	<u>62,074</u>	<u>20,517</u>

9. DIVIDENDS

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2009 (2008: Nil).

10. GOODWILL

	As at 30 June 2009 HK\$'000 (Unaudited)	As at 31 December 2008 HK\$'000 (Audited)
At the beginning of the period	14,996	14,996
Derecognised on the disposal of Vision Tech International Holdings Limited	(14,996)	–
At the end of the period	<u>–</u>	<u>14,996</u>

11. TRADE AND OTHER RECEIVABLES

	As at 30 June 2009 HK\$'000 (Unaudited)	As at 31 December 2008 HK\$'000 (Audited)
Trade receivables	490,854	738,299
Bills receivables	<u>2,645</u>	<u>30,912</u>
	493,499	769,211
Other tax recoverable	16,159	9,185
Prepayments to an associated company of a joint venture partner	–	67,129
Prepayments to other suppliers	–	35,140
Margin deposits to financial institutions	–	34,468
Other receivable and deposits	<u>153,019</u>	<u>15,120</u>
	<u>662,677</u>	<u>930,253</u>

The Group allows an average credit period of 90 days to its trade customers. The following is an aged analysis of trade and bills receivables at the balance sheet date:

	As at 30 June 2009 HK\$'000 (Unaudited)	As at 31 December 2008 HK\$'000 (Audited)
0-30 days	212,888	204,854
31-60 days	57,618	105,298
61-90 days	222,993	165,497
91-120 days	<u>–</u>	<u>293,562</u>
	<u>493,499</u>	<u>769,211</u>

12. TRADE AND OTHER PAYABLES

	As at 30 June 2009	As at 31 December 2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Trade payables	58,520	41,972
Bills payables	<u>114,354</u>	<u>44,916</u>
	172,874	86,888
Deposits received from a jointly controlled entity	10,296	40,561
Other payables and accruals	<u>7,288</u>	<u>13,491</u>
	<u><u>190,458</u></u>	<u><u>140,940</u></u>

The following is an aged analysis of trade and bills payables at the balance sheet date:

	As at 30 June 2009	As at 31 December 2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
0-30 days	172,874	35,280
31-60 days	–	–
61-90 days	–	4,439
91-180 days	–	44,916
Over 180 days	<u>–</u>	<u>2,253</u>
	<u><u>172,874</u></u>	<u><u>86,888</u></u>

13. BORROWINGS

	As at 30 June 2009 HK\$'000 (Unaudited)	As at 31 December 2008 HK\$'000 (Audited)
Borrowing which are repayable within one year comprise the following:		
Bank loans	44,754	213,753
Trust receipts loans	121,684	93,585
	<u>166,438</u>	<u>307,338</u>
Analysed as:		
Secured	121,684	93,585
Unsecured	44,754	213,753
	<u>166,438</u>	<u>307,338</u>

The ranges of effective interest rate (which are also equal to contracted interest rate) on Group's borrowings are as follow:

	As at 30 June 2009 (Unaudited)	As at 31 December 2008 (Audited)
Effective interest rate:		
Fixed-rate borrowings	4.86%	6.12% to 10.48%
Variable-rate borrowings	3.05% to 5.00%	2.50% to 10.48%

14. ISSUED CAPITAL

	Number of shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each at 1 January 2008, 31 December 2008 and 30 June 2009	<u>25,000,000,000</u>	<u>250,000</u>
Issued and fully paid:		
At 31 December 2008 and 30 June 2009	<u>4,131,348,570</u>	<u>41,313</u>

15. DISPOSAL OF A SUBSIDIARY

On 21 May 2009, the Group disposed of Vision Tech International Holdings Limited (VT), a subsidiary listed on the Stock of Exchange of Hong Kong Limited. The proceeds on disposal of HK\$84.2 million were received in cash.

The results of the VT for the relevant periods were as follows:

	Period from 1/1/09-21/5/09 HK\$'000 (Unaudited)
Loss of operation	(42,276)
Profit on disposal	<u>58,887</u>
	<u>16,611</u>
Turnover	1,773
Operating costs	<u>(44,049)</u>
Loss for the period	<u>(42,276)</u>
The net assets of VT at the date of disposal were as follows:	
Net assets disposal of	40,309
Attributable goodwill	<u>(14,996)</u>
	25,313
Profit on disposal	<u>58,887</u>
Total consideration	<u>84,200</u>
Satisfied by cash, and net cash inflow arising on disposal	<u>84,200</u>

4. MANAGEMENT DISCUSSION AND ANALYSIS

Set out below are the management discussion and analysis of the operating results and business review extracted from the annual reports of the Company for the years ended 31 December 2006, 2007 and 2008 and the interim report of the Company for the six months ended 30 June 2009:

(i) For the year ended 31 December 2006

During 2006, the Group completed a corporate restructuring that succeeded in recapitalising the business, enabling trading in the Company's shares to resume and allowing management to embark upon a new strategic direction focused on the non-ferrous metals market in China.

Restructuring and Recapitalisation

The Restructuring Proposal was completed on 20 September 2006, and as a result the Group emerged from provisional liquidation and the Company's shares resumed trading on the Stock Exchange of Hong Kong Limited (SEHK) on 26 September 2006.

The major elements of the Restructuring Proposal were implemented in the last four months of the year, namely a Special General Meeting of the shareholders held on 22 June 2006 to approve the Restructuring Proposal, a Scheme Creditors meeting held on 17 July 2006 to approve the Creditors' Scheme, share consolidation, issue of subscription shares, open offer and placing of new shares.

The Restructuring Proposal involved the subscription by Climax Associates Limited of 2,075,000,000 shares at HK\$0.04 per share; the placing of 374,627,374 shares at no less than HK\$0.06 per share (the placing price was finally determined at HK\$0.1 per share), and an open offer of 145,372,626 shares at HK\$0.06 per offer share on the basis of 9 offer shares for every 5 shares held. Total funds raised amounted to approximately HK\$105 million. (Full details are set out in the circular dated 29 May 2006.)

Subsequently, the Group was further recapitalised via the placing of 605,000,000 existing shares by Climax Associates Limited at HK\$0.295 per share, and the top-up subscription for new shares by Climax Associates Limited at HK\$0.295 per share. The event raised approximately HK\$172 million. (Full details are set out in the announcement dated 5 December 2006.)

Subsequent to completion of the Restructuring Proposal, the original Executive Directors resigned from the Board. Mr. Wong Chi Wing, Joseph, Mr. Cheng Hairong, and Mr. Chu Kwok Chi, Robert, the shareholders of Climax Associates Limited, were appointed Executive Directors of the Company.

It is the view of the new Board of Directors of the Company that severe competition and increasing production costs in the consumer electronics business have hindered the Group's growth. In order to maintain stable and increasing income for the Group, diversification of business activities is therefore necessary. After conducting detailed market

studies, the Board of Directors has decided to diversify the Group's activities into the non-ferrous metals industry with a view to capitalise on business opportunities that are being generated by the fast growing demand for copper and related resources in China.

Financial Review

Turnover of the Group's consumer electronic business for the year 2006 was HK\$264.8 million, representing a decrease of 48.4% from the HK\$513.6 million recorded in 2005. The decline in revenue was caused by severe competition in the consumer electronics market together with increasing production costs. However, we were able to maintain a stable profit margin of 2.6% in 2006 (2005: 3.0%). In addition, part of the shortfall in the consumer electronic business was covered by the revenue generated by the newly established scrap metal trading team, which contributed a net profit of HK\$7.2 million for the year.

The Group made a profit before taxation of HK\$265.2 million (2005: profit before taxation of HK\$10 million). The substantial increase was due to non-recurring adjustments for the effects of debt restructuring, namely, a gain on debts waived of HK\$277.8 million less restructuring expenses of HK\$14.7 million. The profit from operations for the Group was HK\$2.24 million (2005: HK\$10.3 million). No dividend was declared for the year (2005: Nil).

As at 31 December 2006, the total assets and net assets of the Group were valued at HK\$283.5 million (31 December 2005: 14 million) and HK\$265.6 million (31 December 2005: a net liabilities of HK\$294.4 million) respectively. The net assets as at 31 December 2006 returned to a positive figure because of the elimination of the liabilities under indemnities given to subsidiaries not consolidated of approximately HK\$291 million brought forward from 31 December 2005 upon the payment of HK\$21.5 million to the Scheme Creditors pursuant to the completion of Restructuring Proposal.

As at 31 December 2006, the Group's cash on hand and bank deposits totalled approximately HK\$191.3 million (31 December 2005: HK\$59,000), representing an increase of 3,243 times against the balance as at 31 December 2005. The substantial increase in cash was due to the receipts of the subscription, placing and open offer money on 20 September 2006 pursuant to the Restructuring Proposal and the receipt of proceeds upon the completion of the placing of 605,000,000 existing shares and top-up subscription for new shares by the majority shareholder Climax Associated Limited in December 2006.

As at 31 December 2006, the Group's net current assets were valued at HK\$264.9 million and as at 31 December 2005 there were net current liabilities of HK\$294.4 million. The improvement was due to the increase in cash and the discharge of brought forward liabilities under indemnities given to subsidiaries not consolidated. The Group's liabilities as at 31 December 2006 mainly comprised trade and other payables repayable within one year. The gearing ratio was 6.3% (total borrowings/total assets).

Liquidity and Financial Resources

During the year, the Group's financial resources comprised mainly of cash inflow generated by its business operations and the proceeds totalling approximately HK\$277 million from the fund raisings under the Restructuring Proposal and the subsequent placement of shares to Climax Associates Limited.

Following these events, the Group has retained sufficient funds for working capital and for realising its plans for diversifying its business into non-ferrous metals.

Depending on what additional funding is required to facilitate its current and future development plans (including its capital expenditure), the Group will make financial arrangements which may include equity financing and debt financing that are in the best interests of shareholders, after taking into account the Group's financial position, capital structure and cost of funding, along with market conditions at the time.

Review of Operations

During the first three quarters of the year, the majority of the Group's operational activities were at its consumer electronics business.

Consumer electronics business

The Group's consumer electronics business arm, Innovision Enterprises Limited ("Innovision"), is involved in the production of DVD combos, home theatres and portable DVDs for the US, Asian and European markets. The business continued to face strong competition and rising costs during the year, which led to a decline in revenues. However, we were able to maintain a stable profit margin of 2.6% and the management will continue to take a cautious approach to accept sales orders.

In order to maintain good control over its production costs, Innovision has since its inception been sub-contracting its production on an OEM and ODM basis to reliable manufacturers in China. The company has also expanded its service scope to include product design and marketing for key clients.

Non-ferrous metals business

China's domestic copper consumption in 2006 recorded strong growth arising from its infrastructure development, growing motor vehicle production, real estate development and increasing demand for consumer products. (please refer to chart on page 13)

China's copper consumption of 3.876 million tons accounted for 21.80% of the world's as of 30 November 2006, exceeding its production by 960,000 tons (please refer to chart on page 13). (CRU Monitor-Nov. 06) and the country ranked among the largest three markets in the world by both production and consumption. (please refer to chart on page 13).

The China Market Consumption and Supply

Refined copper consumption	Mil/ton	YOY% change	% of the world
2003-04	3.456	+14.3%	20.6%
2005	3.781	+9.4%	22.4%
2006	3.876	+2.5%	21.8%
Refined copper supply/production	Mil/ton	YOY% change	% of the world
2003-04	2.198	+19.8%	13.8%
2005	2.587	+17.7%	15.6%
2006	2.916	+12.7%	16.4%
China S/D Balance	Thousands /ton	YOY% change	% of the world
2003-04	(1,258)		
2005	(1,194)		
2006	(960)		

Source: CRU Monitor, Nov 2006

China Ranked Top 2 in the world and is in an increasing trend in production

Top 4 Countries Copper Production % of Market Share in the World

Ranking	Countries	2003-04	YoY% change	2005	YoY% change	2006	YoY% change
1	Chile	18.2%	-1.8%	17.35%	-0.9%	17.3%	+6.9%
2	China	13.8%	+19.8%	15.6%	+17.7%	16.4%	+12.7%
3	Japan	8.7%	-2.7%	8.7%	+4.5%	8.8%	+8.5%
4	USA	8.1%	+0.9%	7.6%	-3.2%	7.5%	+6.4%

Source: CRU WBMS Nov 2006

Three Sectors account for 93% of Chinese Copper Consumption and is in a strong demand trend

- | | | |
|------------------------------|---|---|
| ● Power Infrastructure ~41% | ➡ | Distribution / Transmission ~70% |
| | | Power Generation ~30% |
| ● Consumer Appliances ~32% | ➡ | Home Electrical ~71% |
| | | Overall ~23% |
| | | (air conditioner accounts for 50% of consumer electronic and 16% of all copper consumption) |
| ● Building/Construction ~20% | ➡ | Building / Construction ~66% |
| | | (electrical building wire is 66% of segment and 13% of all copper consumption) |
| ● Automotive ~3% | ➡ | Rural area |

Chinese Copper Consumption 2005-3.78 mil tons, 2006-3.87 mil tons

Source: CRU Monitor Nov 2006

To capitalise on these market opportunities, we began diversification of business activities into the non-ferrous metals industry during the last two months of 2006. Our first move was the establishment of a scrap metal trading team, based in Hong Kong, conducting global sourcing of copper scrap for clients in China. The trading business generated a net profit of HK\$7.2 million within the last two months.

On 26 November 2006, our wholly owned subsidiary, EPI Metals Limited, together with Jiangxi Copper and Qingyuan Tongde Electric Co., Ltd established Qingyuan JCCL EPI Copper Limited (“Qingyuan JCCL EPI”) in Qingyuan, Guangdong province. The joint venture will engage in the production and sale of copper anode in China and the agreement calls for a period of cooperation over 15 years during which all the copper anode produced by the joint venture will be sold to Jiangxi Copper at the prevailing market price and on general commercial terms. Total investment of the joint venture is estimated at RMB\$180 million and EPI has a 51% interest.

Jiangxi Copper is a China-based publicly listed company trading on the Stock Exchange of Hong Kong. Headquartered in Jiangxi province, the company is involved in copper mining, milling, smelting, refining and trading. It is a strong and influential market player in the non-ferrous metal markets in China, enjoying a high reputation and strong finances.

Prospects

During the coming year, the Group will continue to focus the bulk of its efforts on developing the highly promising non-ferrous metals business, while continuing to serve its existing customers in the consumer electronics field.

We will adopt proper measures to meet the increasing competition for our consumer electronics products, including imposing tight cost controls and actively seeking high quality and competitively priced sub-contractors in Asia. In addition, we will expand the client base for our product design and marketing services.

Demand for non-ferrous metals in China is expected to continue to rise in 2007 on the back of fast economic growth. During 2007, the Group will accelerate its business diversification activities in the non-ferrous metals industry, in particular, in copper and related metals. Our plans include the formation of joint venture operations for building new and acquiring existing non-ferrous metals production plants in China in co-operation with Jiangxi Copper and other reputable quasi-sovereign enterprises in China.

QINGYUAN JCCL EPI was acquired a copper smelting plant in Qingyuan. The acquisition involves the purchase of a fully fledged copper ore and scrap copper smelting plants built on a block of land with a total area of 161,644 square meters to produce copper blister and copper anode and the plant to be in full operation by the end of June 2007. Maximum production capacity will be 100,000 tons per annum by the end of 2007, increasing to 200,000 tons per annum when at full production capacity in 2008.

Subsequent to the year end, in February 2007 the Group has established a second joint venture, Guangzhou (Foshan) Metals Company Limited (“GUANGFO”), with Foshan Nanhai Xinweifeng Trading Co. Ltd. and Guangdong Guanghong International Trade Group Co. Ltd. The joint venture provides one-stop metal warehousing, logistics, trading and financing services to small to medium size enterprises in Nanhai, a city in Guangdong province. Total investment is estimated at RMB10 million (HK\$10 million). The Group holds a 40% stake with an option to increase its shareholding to 50% within a year from signature of the joint venture agreement. We have seconded financial and risk management experts to assist in the formation of GUANGFO’s management team. The joint venture is expected to be in full operation by mid 2007.

Guangdong Guanghong International Trade Group Co. Ltd is a wholly owned trading arm of Guanghong Assets Management Co. Ltd (“GUANGHONG”) which operates under the supervision of Guangdong Provincial Government. GUANGHONG itself is one of the three largest asset-management companies as well as the leading enterprise in non-ferrous metals in Guangdong province.

We are confident that our close association with our existing Chinese business partners will provide expert guidance for the diversification of our activities into the non-ferrous metals markets. Our ultimate goal is to become one of the leading players in the non-ferrous metals markets in Asia.

(ii) For the year ended 31 December 2007

During 2007, the Group made significant progress towards our vision of becoming the leading supplier of non-ferrous metals, primarily scrap copper, in China.

Building on our core business of scrap metal sourcing, smelting and financing, we intensified our focus on mining investment as a growth driver and continued to maintain and expand our consumer electronics business. By further establishing ourselves and our business model in the market, the Group generated record profit and strong cash flows and has evolved a clear strategic platform to reach our future goals.

REVIEW OF OPERATIONS

During the period under review, the Group's operations comprised our sourcing and trading of non-ferrous metals business; Qingyuan JCCL EPI Copper Limited – our copper smelting joint venture in Qingyuan; and our consumer electronics business.

Non-ferrous Metals Business

The Group's non-ferrous metals business saw rapid progress in 2007, with the robust performance of metals sourcing and trading, the beginning of smelting operations and the signing of this framework agreement with Daye Non Ferrous Metals Company (Daye Non Ferrous).

The Copper Market

The global copper market was challenging in 2007, and is expected to remain tight in the coming year. By historical standards, copper prices in 2007 were maintained at a high level while global stocks continued to remain low. Global copper prices rallied in the first half of 2007, surging to a level above US\$8,300, benefiting from increasing demand and low global inventories. Prices came under pressure later in the year, dropping to as low as US\$5,200, due to global market concerns over the health of the US economy and the possible spillover effects. Global copper prices are expected to remain volatile in the coming year.

CRU statistical data indicate that China copper consumption in 2007 was at 4,621,000 tonnes, a 19.2% year-on-year increase, and continued to surpass the market supply of 3,457,000 tonnes, a 18.6% year-on-year increase. Overall, this represented a deficit supply of 1,164,000 tonnes, reflecting significant growth in China copper demand.

Due to unequal growth rates between concentrates capacity and smelter capacity, concentrate production has not been able to keep up with such demand growth. Rapid expansion of smelter capacity has triggered a deficit in the global concentrates market. As a consequence, refiners must enter into low treatment and refining charges (TC/RCs), pressuring the least efficient smelters to reduce output or even shut down. For this reason, China's refined output is expected to grow at a slower pace in the coming year.

The anticipated short supply of refined output from concentrates has led Chinese smelters to start looking for other solutions, which include the sourcing of alternative materials such as recycled scrap copper and other non-ferrous metals from both domestic and overseas markets. Growing demand in the copper market in China has provided an enormous market growth opportunity for the Group.

Financial Performance

The non-ferrous metals business made a major contribution to the Group's sales revenue and net profit in fiscal 2007. The majority of our metals business was concentrated in copper metal and the sales revenue mix of the different segments was 57.9% metals sourcing and trading, 36.5% production of copper anode and 5.6% consumer electronics. Total sales revenue for the Group was HK\$2,053 million for the year, representing a year-on-year increase of 675%. The reason for such a substantial increase was that in 2006 the turnover derived solely from the Group's consumer electronics business. Profit for the year attributable to equity holders of the Company for 2007 was HK\$63.51 million, representing year-on-year growth of 3,480% with the exclusion of net gain of debts restructuring from the Net Profit after tax for 2006. These results fully demonstrate that the Group's diversification from our consumer electronics business to non-ferrous metals as a core business focus was a successful strategy. For the next few years, the Group foresees that our core businesses will continue to be non-ferrous scrap metals with mining investment projects as a further growth driver.

Metals Sourcing and Trading

EPI Metals Limited ("EPI Metals"), the overseas sourcing business of the Group, recorded sales revenue of HK\$1,188.9 million and a segment profit of HK\$104.1 million. The Group sourced 24,779 tones of non-ferrous metals in 2007, mainly from the USA, Europe and Asia. Metals sourced were generally known as (according to ISRI guidelines), No.1 copper (97-99% copper content), No.2 copper (94%-96%), as well as other Light copper (88%-92%) and scrap aluminum. (See Mining and Technical Definitions on page 86 of this report)

During the year, the Group adopted a prudent approach to our copper purchasing through the London Metal Exchange (LME) to hedge against market price fluctuations. Practical market risk and operational risk management were set in place to track every process of the transaction to ensure that our set profit margin and processing cost were maintained.

In 2007, EPI Metals committed to further providing direct scrap copper to Jiangxi Copper Company Limited ("Jiangxi Copper") in addition to copper anode. EPI Metals also began negotiations to expand our trading and sourcing services to other major copper market leaders in China in order to supply them with scrap copper.

Production of Copper Anode

The Group's 51% joint venture with Jiangxi Copper, Qingyuan JCCL EPI Copper Limited ("Qingyuan JCCL EPI"), started production in June 2007. During the year, Qingyuan JCCL EPI produced and sold 24,457 tons of copper anode to Jiangxi Copper and recorded a sales revenue of HK\$749.1 million for EPI's share, representing 36.5% of the Group's turnover and a segment profit of HK\$17.9 million.

While the Qingyuan JCCL EPI laid foundations and developed supplier relationships with key local China scrap yard dealers during the period, the joint venture company built credentials, goodwill and relationships with major China banks to provide banking facilities for future growth and the provision of working capital funding for the joint venture company's China sourcing and trading business.

In February 2007, the exclusive 15-year joint venture acquired an existing smelting plant at Qingyuan in Guangdong Province and worked rapidly to refurbish the plant. More than 26 high level engineers from Jiangxi Copper were sent to facilitate the construction of the copper anode smelting machine and to ensure all environmental facilities were in compliance with the China Central Government's standards. Within only four months of establishment, the smelting plant was in operation. On 6 June 2007, in the presence of the Jiangxi Copper President, the management team, Qingyuan government officials and EPI management, the Qingyuan smelting plant was inaugurated to produce copper anode from scrap copper with an annual capacity of 50,000 tonnes.

Consumer Electronics Business

Sales revenue for the Group's consumer electronics business, Innovision Enterprises Ltd. ("Innovision Enterprises"), recorded HK\$114.9 million, representing a 56.6% year-on-year decrease, and net segment profit was HK\$0.4 million. During the year under review, consumer sentiment in the US market slowed down, thereby decreasing our sales turnover. However, the Group maintained a stable gross profit margin of 2.9% (2006: 2.6%).

Innovision Enterprises sells DVD combo and home theatres to the USA, Latin America and European markets, outsourcing production on an OEM and ODM basis to our exclusive China manufacturers. During the period, the consumer electronics team leveraged on its sales network and business expertise to help in the restructuring and rescue of Vision Tech, as well as playing an important role in increasing sales turnover and obtaining overseas business orders for Vision Tech.

The Group's strategy is to focus our resources on the non-ferrous metals business while maintaining the consumer electronics business at a stable level. As long as the consumer electronics business maintains a profitable or a self-sufficient financial position, we will continue to maintain this strategy.

Warehousing, Logistics and Metals Financing

Our vision for the future is to build a non-ferrous metal global supply chain network. During the year, the Group undertook a feasibility study to commence scrap metals financing and warehousing operations in Qingyuan JCCL EPI. The scrap metal financing model is the first of its kind amongst listed companies in Hong Kong.

We believe that this business not only provides a credible financing platform for local scrap yard dealers but also provides a stable sourcing channel and revenue growth potential for our Qingyuan JCCL EPI partnership with Jiangxi Copper. Qingyuan is a major metal recycling hub and active local sourcing and trading center for China, with over 4,000 scrap yard dealers. We believe that leveraging on the goodwill of the existing Qingyuan scrap

copper metal smelting business and infrastructure will give us a head start advantage in the scrap metal financing business, enabling us to grow more local sourcing capacity for our increasing demand for scrap metal supply.

Mining and Resource Investment

In 2007, the Group's management and mining investment team actively focused on identifying and accessing mining and resource projects. The Group is exploring investment projects in copper, iron ore, zinc, precious metals such as gold, and oil resources.

The Group's mining investment team provides full value-added services to mining and resource companies. These services include asset restructuring, capital restructuring, and investment funding for mining exploration production work and infrastructure facilities. Our aim is to increase production output capacity and revenue to enhance overall net asset value as well as to provide pre-IPO investment to maximise returns for shareholders.

EPI's core competitive strength in competing with other investment projects lies in its strong financial restructuring capabilities, its Hong Kong listed company positioning, its local Chinese background, professional management team and goodwill in the China market. During the year, the group's professional investment team received considerable recognition from China state-owned enterprises and was able to partner with first-class partners in China and worldwide.

Daye Non Ferrous Framework Agreement

In May 2007, the Group signed a framework agreement with Daye Non Ferrous, China's fourth largest copper leader. EPI and Daye Non Ferrous will form a joint venture company whereby Daye Non Ferrous will inject four of its copper mining assets into the joint venture company, representing 75% of the shareholdings, and EPI will inject an estimated HK\$500 million into the joint venture company, representing 25% of the shareholdings.

The four mines, namely Tong Lu Shan Mine, Feng San Mine, Xin Tai Mine, Xin Ma operating mines, are located in Hubei with a current annual production capacity of 20,000-23,000 tonnes of copper, 1 tonne of gold, and 350,000 tonnes of iron ore. The four mines have over 30 years of mine life with total reserves of 787,374 tonnes of copper, 29,564 kilograms of gold, 455,726 kilograms of silver, 13,021 tonnes of molybdenum, and 19,602 kilotonnes of iron ore. Copper ore grades are considered very high in the country ranging from 0.91% to 1.46% copper content; gold grade has an average of 1.10 gram per tonne; silver grade ranges from 7.10 gram per tonne to 19.93 gram per tonne; iron ore grade has an average of 36.28% iron content. The four copper mines are considered major copper mine reserves in China.

This project is now undergoing a due diligence review by EPI, Daye Non Ferrous and the China government regulatory bodies. Once regulatory approval is given by the relevant bodies, the Group aims to close the joint venture agreement during 2008.

Other Investment Projects

2007 was also marked by another restructuring success. Leveraging on our investment team's core strength in finance, business restructuring and our consumer electronic business sales network, the Group spent nine months acting as a white knight to rescue Vision Tech International Holdings Limited ("Vision Tech", stock code: 0922HK), a consumer electronics company that had been suspended from trading on the board of the Stock Exchange of Hong Kong Limited for the last five years.

On 18 May 2007, EPI entered into a Subscription Agreement conditionally agreed to subscribe for 750,000,000 new shares at a price of HK\$0.10 per new share in Vision Tech at a total consideration of HK\$75 million. Upon completion on 3 March 2008, EPI held 57.92% of the enlarged issued share capital of Vision Tech, which resumed trading on the Stock Exchange of Hong Kong Limited on 7 March 2008.

Vision Tech is engaged in consumer electronics business sales distribution and will further expand its business to GPRS navigator systems and automobile Hi Fi sound systems. The success of the restructuring and rescue of Vision Tech again demonstrated the financial restructuring capability of the Group. We believe that it will provide a high return investment for our shareholders.

FINANCIAL REVIEW**Turnover and Gross Profit Margin**

The turnover from metals sourcing and trading business was HK\$1,188.9 million, representing 57.9% of the Group's turnover. Gross profit margin was 8.8%. The production of copper anode business originated from the Qingyuan JCCL EPI smelting joint venture. The joint venture plant began operations in June 2007. The sales for the period were HK\$1,469 million, of which the Group accounted for 51% or HK\$749.1 million, representing 36.5% of the Group's turnover. Gross profit margin was 2.3%. Sales at the consumer electronics business were HK\$114.9 million, representing 5.6% of the Group's turnover, a decrease of 56.6% as compared to the same period last year. Gross profit margin was 2.9%. (margin maintained as compared to last year 2.6%).

Hedging against Commodities Price Fluctuations

The Group recognises the importance of hedging its risk exposure to commodities price fluctuations. The Group utilizes commodity forward contracts to hedge the forecasted purchase of copper concentrate and/or other related materials during the year. These arrangements are designed to address significant fluctuations in the price of copper concentrate and/or related materials, which move in line with the price of copper cathode. During the year the Group recognised a gain on commodity forward contracts of HK\$53,346,000. The management viewed this gain as an adjustment to the cost of sales but the amount was taken to other income according to the generally accepted accounting principles.

As at 23 April 2008, the Group has approximately US\$150 million bank line facilities for commodity forward contracts, which is adequate for the Group to hedge against future commodities price fluctuations.

EBITDA and Profit

The Group's EBITDA (earnings before interest, tax, depreciation and amortization less interest income) for 2006 was HK\$265 million, which was mainly contributed by a HK\$263,168,000 gain on debt restructuring. This gain is non-recurrent in nature. The Group's EBITDA for the year was HK\$75.9 million. If the gain on debt restructuring of HK\$263,168,000 in 2006 were excluded for comparison purposes, EBITDA margin rose strongly to HK\$75.9 million from HK\$2 million as a result of the successful diversification into the non-ferrous metals business and profit for the year attributable to equity holders of the Company also increased sharply, rising by 763% to HK\$63.5 million and the net profit margin based on turnover improved from 0.7% to 3.1%.

Finance Costs

Finance costs of HK\$3.5 million mainly comprised interest expenses on bank loans and overdraft repayable within one year. The increase in interest expense was mainly due to the increase in the utilization of bank trade facilities for the metals sourcing and trading business and the production of copper anode business.

LIQUIDITY AND FINANCIAL RESOURCES

In view of its expansion plans and the prospects from the completion of the Daye joint venture, the Group decided to raise additional equity capital in the first half of 2007.

On 14 June 2007 the Company raised aggregate net proceeds of HK\$463.03 million, of which HK\$451.9 million was in the form of shares and HK\$11.1 million in the form of warrants, via a top up subscription placement of 573,540,000 shares at HK\$0.81 per share and 143,380,000 warrants at HK\$0.08 warrant price with an exercise price at HK\$0.94 per share for 365 days to institutional investors. The proceeds will be applied to the Daye investment and as working capital for the Group.

The Group has a strong net cash position as at 31 December 2007, with approximately HK\$172 million of cash and bank balances, and approximately HK\$126.5 million of bank loans. The cash and bank balances, in US dollars, HK dollars and Renminbi dollars, are mainly held at banks as short-term deposits. The Group only has short-term bank loans and overdrafts repayable within one year. The loan facility in Hong Kong bears interest calculated with reference to prime rate or LIBOR. The working capital Renminbi loans bear interest calculated with reference to the People's Bank of China 3 to 12 months working capital lending rate.

The Group has established strong bank line facilities with major banks and financial institutions in China and Hong Kong. As of 23 April 2008, the Group has approximately HK\$1 billion bank trade line facilities to fund and provide flexibility for our growth and expansion business working capital needs.

Financial Position

As compared to the Group's financial position as at last year end, total assets increased by 3.9 times to about HK\$1,119.6 million (2006: HK\$283.5 million) and net current assets increased by 2.9 times to about HK\$704.5 million (2006: HK\$243.9 million). These changes were mainly attributable to the Group's expansion via further equity financing and diversification into the non-ferrous metals business.

Net cash outflow from operating activities was about HK\$502.1 million, net cash outflow in respect of investing activities was about HK\$98.7 million, net cash from financing activities was about HK\$559.6 million, resulting in a net increase in available cash and cash equivalents of about HK\$145 million for the year.

Contingent Liabilities

As at 31 December 2007, the Group has no contingent liabilities (2006: HK\$NIL).

Pledge of Assets

At 31 December 2007, property, plant and equipment, prepaid lease payment, index-linked note and pledged bank deposits of approximately HK\$8,763,000 (2006: HK\$nil), HK\$19,098,000 (2006: HK\$nil), HK\$2,340,000 (2006: HK\$nil) and HK\$26,918,000 (2006: HK\$5,000,000) respectively were pledged to secure certain of the Group's bank borrowings and banking facilities.

Capital Commitments

As at 31 December 2007, the Group has a capital expenditure of HK\$13,467,000 (2006: HK\$NIL) in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements.

PROSPECTS

Going forward, the Group is laying a solid foundation to build on existing operational and business infrastructure to achieve a substantial increase in sales and business volume in our core businesses, from non-ferrous scrap metals to mining and resource investment projects.

Mining and Resource Investment

The mining and resource sector is the focus of considerable attention in the investment industry. With the goodwill built within this industry, our investment team has been able to identify attractive investment projects. The Group is expanding our mining investment from copper metal to other metal mixes such as iron ore, zinc and precious metals such as gold, and will consider investing in the resource sector of the oil industries. We aim to make other significant mining and resources investments in the medium term, thereby providing a substantial investment return for our shareholders.

Copper Mines Investment Projects

The Group is working with the full support of Daye Non Ferrous Metals on the process of obtaining approval from China government bodies and from a due diligence review of our joint venture partnership structure. We are expecting to obtain the China government bodies' approval in the near future and to close the joint venture agreement in 2008.

Scrap Metals Sourcing and Trading

Scrap metals trading is part of the Group's well-structured business model for further partnership with China's state-owned enterprises. We will increase scrap metals sourcing volume and trading quantity by expanding our partnership with state-owned enterprises in the copper industry. We are working intensively to finalize long-term scrap metals trading contracts with China's leading top four copper players of Jiangxi Copper, Tongling Non Ferrous Metals Group Holdings Co. Ltd. and Daye Non Ferrous, and we will further extend and deepen our network of relationships in scrap metals sourcing, trading and other areas of partnership. In line with this, we have signed a sale and purchase agreement with Jiangxi Copper for supply of 75,000 metric tonnes a year of copper anode and scrap copper for 2008.

These projects will assist the Group in its mission to become a leading player in metals mining and resource investment in Asia and to provide our strategic partners in China's state-owned enterprises with high quality supply chain services.

(iii) For the year ended 31 December 2008**REVIEW OF COPPER MARKET IN 2008**

At the beginning of the year, China's copper industry was impacted by snow storms and heavy rainfall yet demand from the electric power sector for refined copper was increasingly strong. 3-month copper prices quoted on the London Metal Exchange ("LME") and Shanghai Futures Exchange ("SHFE") were range-round at high levels from the beginning of the year to early July. During this period, LME copper futures reached a historical high of US\$8,940 per tonne.

The LME and SHFE markets diverged during March and July. 3-month LME copper fluctuated at high levels and hit new highs, while copper prices did not advance accordingly in the China market due to increasing output and weakening demand. SHFE copper futures set a high record of RMB70,550 per tonne and then moved down ahead of the LME price.

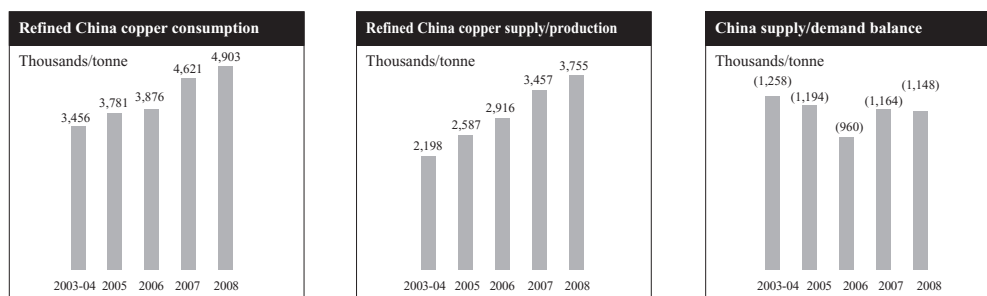
By the end of September, the US subprime mortgage crisis further deteriorated leading to a global economic downturn, which brought on a slump in both the capital markets and commodity markets. Copper consumption immediately contracted, leading to continuous price falls, with prices falling sharply in less than three months. Panic selling of copper futures on LME sent the price down by 40% in October, while copper futures on SHFE tumbled by their daily limits continuously. In the following two months, both markets

maintained their weak trend, and prices fluctuated at low levels. By the end of the year, the closing price of copper futures on LME declined to US\$2,996.10 per tonne and SHFE copper futures fell to RMB24,000 per tonne.

Many overseas scrap yard owners had been severely hit by the sudden collapse of copper price during the financial meltdown because the buyers failed to take delivery of orders whilst at the same time, banks withdrew credit. They accordingly had to liquidate the inventories on hand to meet their financing needs. The forced sales drove prices down further and towards the end of the year the prices of copper cathodes were at levels below the cost of production. The surviving scrap yard owners were reluctant to offer product at these levels.

FINANCIAL REVIEW

The turnover for the year ended 31 December 2008 was HK\$2.547 billion, an increase of 24% from HK\$2.053 billion for the year ended 31 December 2007. The increase of the turnover was mainly attributable to the first three quarters of 2008. The business activities of the Group were forced to slow down in the last quarter of 2008 when the copper prices were at low levels. During the time the supply chain for scrap copper broke down because the operation costs at each stage of supply were higher than the selling prices and the vendors were reluctant to give offers.



Source: CRU statistical data 2008

Despite the difficult business environment, the Group managed to achieve a profit before taxation of HK\$881,000. After providing HK\$8.7 million profit tax, the Group recorded a loss for the year of HK\$7.8 million, comparable to a profit after taxation of HK\$63.5 million for the previous year.

The main reasons for the drop in profit were:

1. The margin of the scrap copper trading business shrank during the year due to difficult business environment in 2008.
2. Copper anode production recorded a loss in the last quarter of 2008 as the extreme market volatility and the shortage in materials supply resulted in inefficient operations.

3. An increase in the share of administrative expenses after the acquisition of Vision Tech International Holdings Limited (HKSE Stock no. 0922) and a further acquisition of 9% equity interest in Qingyuan JCCL EPI Copper Limited, a joint venture company with Jiangxi Copper Limited.
4. An adjustment of HK\$14.25 million impairment loss recognised in respect of goodwill.

OPERATIONS REVIEW

During the period under review, the Group's operations comprised the sourcing and trading of non-ferrous metals, production of copper anode and consumer electronics business.

Non-ferrous metals sourcing and trading

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>	% change
Turnover	1,285,960	1,188,933	+8.16%
Segment Profit	<u>96,972</u>	<u>104,098</u>	<u>-6.85%</u>

During 2008, the Group's trading business in Hong Kong sourced 23,474 tonnes of copper cathodes and scrap copper including No. 1 Copper (Copper Content Minimum 97%), No. 2 Copper (Copper Content 94%-96%) and Light Copper (Copper Content 88%-92%), 18,398 tonnes of low copper content copper reclaims and 8,386 tonnes other non-ferrous metals including aluminum ingot and scrap aluminum. The sourcing took place in China and in overseas markets including the United States, Europe and Asia.

The trading activities slowed down in the last quarter of 2008, when vendors were reluctant to offer the scrap copper at below cost following sudden collapse of copper prices in October.

Copper anode production

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>	% change
Turnover	881,514	749,133	+17.67%
Segment Profit/(Loss)	<u>(37,686)</u>	<u>17,899</u>	<u>N/A</u>

Our joint venture smelting plant in Qingyuan commenced full operations in June 2007 and the turnover for the same period last year was not on a comparable basis to the period under review. For the year ended 31 December 2007, the smelting plant produced 24,457 tonnes of copper anode.

The smelting plant produced and sold 17,242 tonnes of copper anode to Jiangxi Copper in the first half of 2008. The smelting plant did not run at full operating capacity during the period. Heavy snows in the northern part of China during the Lunar New Year affected the transportation of products. Flooding in Guangdong Province at the end of May 2008 affected the local supply of raw materials for production. Both incidents affected the smelting plant, causing it to slow production and during June 2008, the smelting plant scheduled an early shut down for maintenance over three weeks, coinciding with the time when the supply of local raw materials was tight.

The smelting plant gradually increased its production capacity following the maintenance shut down and by the end of third quarter was running at full production capacity, reaching approximately 5,000 tonnes a month.

The Group treated the smelting plant as an important platform of the partnership with Jiangxi Copper from which other cooperative ventures may develop in the future. To enhance the relationship with Jiangxi Copper, the Group acquired an additional 9% equity interest in the smelting plant. Following the completion of the transaction on 17 September 2008, the Group owned a 60% equity interest in the smelting plant.

The loss on copper anode production was mainly attributable to the fourth quarter for 2008. The plant had been forced to slow production due to the shortage of materials. The inefficient use of production capacity led to high product fault rate and the plant could not be run at a breakeven level.

For the year ended 31 December 2008, the smelting plant produced and sold 30,375 tonnes of copper anodes and 1,827 tonnes scrap copper to Jiangxi Copper.

Consumer electronics business

	2008	2007	% change
	<i>HK\$'000</i>	<i>HK\$'000</i>	
Turnover	379,058	114,934	+229.80%
Segment Profit	<u>5,220</u>	<u>424</u>	<u>+1,131.13%</u>

The Group sells DVD combo, home theatres, colour TVs and MP4 players to the United States, Latin America and European markets and outsources the production on an OEM and ODM basis to Chinese manufacturers.

The substantial growth in sales and segment profit was mainly attributable to the acquisition of Vision Tech International Holdings Limited (HKSE Stock no. 0922, "Vision Tech"), an electronics export trading company, during the year.

MAJOR INVESTMENTS IN 2008

On 18 May 2007, the Group entered into a Subscription Agreement conditionally agreeing to subscribe for 750,000,000 new shares at a price of HK\$0.1 per new share in Vision Tech at a total consideration of HK\$75 million. Upon completion on 3 March 2008, EPI held 57.92% of the enlarged issued share capital of the Vision Tech, which resumed trading on the Stock Exchange of Hong Kong Limited on 7 March 2008. Besides its core business, Vision Tech has been actively looking for opportunities to diversify her business since the resumption of trading.

During the year, the Group increased its equity interest in the smelting business joint venture with Jiangxi Copper from 51% to 60% at a consideration of HK\$25 million. The transaction was completed on 17 September 2008. Despite the plant having made an operating loss in last quarter of 2008, management is confident that the increase in shareholding is in line with the Group's medium to long term strategy in partnership with Jiangxi Copper and will yield a positive contribution to the Group in the long run.

FINANCIAL POSITION

As at 31 December 2008, the total assets and liabilities of the Group had increased to HK\$1,286 million and HK\$472 million respectively from HK\$1,120 million and HK\$338 million as a result of expansion via the acquisition of Vision Tech and the acquisition of a further 9% equity interest in Qingyuan JCCL EPI Copper Limited, a joint venture company with Jiangxi Copper Limited.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2008, the Group recorded net current assets of HK\$730.6 million, in which HK\$99.3 million represented by cash on hand, a reduction of 31.5% from HK\$145 million as at 31 December 2007.

During the year, the Company had applied HK\$75,000,000 for the subscription of shares in Vision Tech and HK\$25,000,000 for the Qingyuan JCCL EPI Copper Limited 9% equity interest acquisition.

Short-term bank borrowings of HK\$307 million out of which HK\$186 million was attributable to Qingyuan joint venture company represented 65% of the total current liabilities. The Group did not have any long-term debts.

CHARGE ON ASSETS

As at 31 December 2008, the Group had pledged assets with an aggregate carrying value of HK\$46.4 million (2007: HK\$57.1 million) to secure bank loan facilities extended to the Group.

CAPITAL COMMITMENTS

As at 31 December 2008, the future capital expenditure for which the Group had contracted but not provided for amounted to HK\$0.6 million (2007: HK\$13.5 million).

HEDGING AGAINST COMMODITIES PRICE FLUCTUATIONS

The year of 2008 demonstrated how volatile commodity prices can be over short periods of time. During the year, copper experienced both a bull and bear market. In view of this market risk, the Group continued to take a prudent approach to hedging its inventory position through appropriate copper forward contracts. Strict internal policies and procedures are in place to ensure the position is regularly reviewed and monitored to ensure that the Group is not exposed to any financial derivatives, undue market risk and the Group did not enter into any commodities futures contracts or any financial derivatives for speculation purposes.

The Group uses its future contracts traded on the LME and SHFE solely to hedge against fluctuations in copper price. For the year ended 31 December 2008, the Group recorded a gain on futures contracts of HK\$49.6 million (2007: HK\$53.3 million). The Group did not enter into any commodities futures contracts or any financial derivatives unrelated to business operations during the year.

(iv) For the six months ended 30 June 2009**GROUP FINANCIAL REVIEW**

In the first six months of 2009, the Group's turnover was HK\$466 million represented a decrease of 66% as compared to the same period of last year. Gross profit was HK\$15.8 million, decreased by 82% from that of the corresponding period of last year. The profit for the period attributable to the owners of the company was HK\$78.7 million, recorded a growth of 283% as compared to that of the corresponding period of last year. The substantial increase in profit attributable to the owners of the company was mainly due to the HK\$16.6 million gain on disposal of Vision Tech International Holdings Limited, a subsidiary company listed on The Stock Exchange of Hong Kong Limited, and the gain on fair value changes on listed securities of HK\$63.9 million taken to the profit and loss during the period.

BUSINESS AND OPERATIONS REVIEW

While the market needs time to recover from the financial meltdown in 2008, the Group had been forced to reduce its business activities and the sales volume in the first half of 2009.

Comparison of business results for the first six months of 2009 and 2008

Metals sourcing and trading

	Six months ended		
	2009	2008	Change
	HK\$'000	HK\$'000	
Turnover	331,737	611,898	-45.79%
Segment (loss)/profit	(2,532)	43,266	-105.85%

The sourcing of scrap copper remained difficult during the period. The gross profit margin dropped from 10.85% to 5.35% during the review periods. To maintain a profitable business margin, our sourcing team had increased its sourcing product from scrap copper to copper cathodes and scrap aluminum, where the market offered a higher margin from our cost plus approach.

We have continued to increase our sourcing product mix and subsequently added zinc and nickel to improve the overall profit margin of the Group. Due to the order and shipment lead time, the business volume did not reflect in the first half of this year.

Joint venture smelting business

Copper anode production

	Six months ended		
	2009	2008	Change
	HK\$'000	HK\$'000	
Turnover	125,195	528,280	-76.30%
Segment profit	411	11,716	-96.49%

The joint venture company have streamlined its operations and applied stringent cost measure policies with cost reductions in all management and operational levels. The joint venture company have sold scrap copper directly to Jiangxi Copper and cut the production of copper anode for the period. They have also hedged against the copper price fluctuation and mitigated any copper price fluctuation risk. All of the above measures taken had proved to be successful during the difficult period. We will remain the present strategy for the year, as we foresee the business margin in the production of copper anode remain slim.

Consumer electronics business

	Six months ended		
	2009	2008	Change
	HK\$'000	HK\$'000	
Turnover	45,563	228,039	-80.02%
Segment profit/(loss)	314	(7,972)	+103.94%

The group sold DVD Combos and home theatres to USA and Latin America. The financial and economic shrinkage from the USA and Latin America countries had affected a substantial decrease in the turnover. Despite the decrease in business volume, the team had successfully improved its gross profit margin from 3.04% to 4.4% during the review periods by cautious servicing to its customers needs.

5. INDEBTEDNESS

At the close of business on 31 August 2009, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group had outstanding borrowings of approximately HK\$188 million (of which HK\$128 million were secured by fixed charges on certain of the Enlarged Group's assets, including inventories, index-linked note and pledged bank deposits) representing bank overdraft, bank loans, trust receipt loans and import loans.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Enlarged Group did not have outstanding at the close of business on 31 August 2009 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities.

Foreign currency amounts have been translated at the approximate exchange rates prevailing at the close of business on 31 August 2009.

The Directors confirm that there was no material change in the indebtedness status of the Enlarged Group since 31 August 2009 and up to the Latest Practicable Date.

6. WORKING CAPITAL

The Enlarged Group is in negotiations with certain investors for the subscription of additional convertible note of the Company of not less than HK\$78 million to finance the working capital requirements in relation to the exploration activities in the Areas. Taking into consideration of the completion of the subscription of additional convertible note of the Company as mentioned above, the Directors are of the opinion that, in the absence of unforeseeable circumstances and after taking into account the Enlarged Group's current bank balances and financial resources, the Enlarged Group has sufficient working capital for its present requirements and for the period up to twelve months from the date of this circular.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2008, the date to which the latest audited consolidated financial statements of the Company were made up.

1. ACCOUNTANTS' REPORT ON HAVE RESULT

The followings is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants, BNS Concord CPA Limited.



BNS CONCORD CPA LIMITED
Certified Public Accountants (Practising)
駿輝會計師行有限公司

9 October 2009

The Directors
EPI (Holdings) Limited
Suite 6303, 63/F., Central Plaza,
18 Harbour Road,
Wanchai,
Hong Kong

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") regarding Have Result Investments Limited ("Have Result") for the period from 12 September 2007 (date of incorporation) to 31 May 2009 (the "Relevant Period") for the inclusion in the circular issued by EPI (Holdings) Limited (the "Company") dated 9 October 2009 (the "Circular") in connection with the proposed acquisition of the entire issued share capital of Have Result by the Company.

Have Result is a limited liability company incorporated in the British Virgin Islands on 12 September 2007 and was owned as to 62% by City Smart International Investment Limited ("City Smart") and as to 38 % by TCL Peak Winner Investment Limited ("TCL"). The principal activity of Have Result is principally engaged in petroleum production in Argentina.

No audited financial statements have been prepared for Have Result since its date of incorporation because it is incorporated in a jurisdiction where there is no statutory audit requirement.

For the purpose of this report, the directors of Have Result have prepared the financial statements for the Relevant Period in accordance with the accounting policies in compliance with Hong Kong Financial Reporting Standards ("HKFRS") (the "Underlying Financial Statements") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). For the purpose of this report, we have carried out independent audit procedures on the Underlying Financial Statements in accordance with Hong Kong Standard on Auditing issued by the HKICPA.

For the purpose of this report, we have examined the Underlying Financial Statements for the Relevant Period and have carried out such additional procedures as are necessary in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” as recommended by the HKICPA.

The Financial Information of Have Result for the Relevant Period set out in this report has been prepared from the Underlying Financial Statements. No Adjustment was considered necessary to the Underlying Financial Statements in preparing our report for inclusion in the Circular.

The directors of Have Result are responsible for preparing the Underlying Financial Statements. The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibilities to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information together with the notes thereon gives, for the purpose of the Circular, a true and fair view of the state of affairs of Have Result as at 31 May 2009 and of the results and cash flow of Have Result for the Relevant Period.

APPENDIX II**FINANCIAL INFORMATION OF HAVE RESULT**

INCOME STATEMENT**For the period from 12 September 2007 (date of incorporation) to 31 May 2009**

	<i>Note</i>	<i>HK\$'000</i>
Administrative expenses		<u>(12,871)</u>
LOSS BEFORE TAXATION	7	(12,871)
Income tax	8	<u>—</u>
LOSS FOR THE PERIOD		<u><u>(12,871)</u></u>
Attributable to equity holders of the Company		<u><u>(12,871)</u></u>

BALANCE SHEET**As at 31 May 2009**

	<i>Note</i>	<i>HK\$'000</i>
NON-CURRENT ASSETS		
Exploration and evaluation assets	9	<u>84,240</u>
		<u>84,240</u>
CURRENT LIABILITIES		
Other payables		180
Amount due to immediate holding company	10	85,231
Other loan	11	<u>11,700</u>
		<u>97,111</u>
NET LIABILITIES		<u><u>(12,871)</u></u>
Capital and reserves		
Share capital	12	—
Reserves		<u>(12,871)</u>
Equity attributed to shareholders of the Company		<u><u>(12,871)</u></u>

STATEMENT OF CHANGES IN EQUITY

For the period from 12 September 2007 (date of incorporation) to 31 May 2009

	Attributable to equity holders of Have Result		
	Share capital	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000
Issue of one share upon incorporation	–	–	–
Loss for the period	–	(12,871)	(12,871)
At 31 May 2009	–	(12,871)	(12,871)

CASH FLOW STATEMENTS

For the period from 12 September 2007 (date of incorporation) to 31 May 2009

	HK\$'000
Cash flows from operating activities	
Loss for the period and operating cash outflows before movements in working capital	(12,871)
Increase in other payables and accrued liabilities	180
Cash used in operating activities	(12,691)
Cash flows from investing activities	
Investment in exploration and evaluation assets	(84,240)
Net cash used in investing activities	(84,240)
Cash flows from financing activities	
New loan raised	11,700
Cash proceed from issue of shares	–
Advance from immediate holding company	85,231
Net cash generated from financing activities	96,931
Net increase in cash and cash equivalents for the period and cash and cash equivalents at end of period	–
Cash and bank balances as at 31 May 2009	–

NOTES TO THE FINANCIAL STATEMENTS

For the period from 12 September 2007 (date of incorporation) to 31 May 2009

1. GENERAL INFORMATION

Have Result is a private company incorporated in the British Virgin Islands. The registered address of Have Result is P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands.

The principal activity of Have Result is petroleum production in Argentina.

The parent companies of Have Result are City Smart International Investment Limited and TCL Peak Winner Investment Limited, both incorporated in the British Virgin Islands. Their registered address is OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands.

The functional currency of the Company is United States dollars ("USD"). For the convenience of the users of the financial information of Have Result, the Financial Information is presented in Hong Kong dollars ("HKD").

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared on a going concern basis because the parent companies have agreed to provide adequate funds for the Company to meet in full its financial obligations as they fall due for the foreseeable future.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS")

The HKICPA issued a number of new Hong Kong Accounting Standards ("HKAS"s) and HKFRS, Amendments and Interpretations ("INT"s) (hereinafter collectively referred to as "new HKFRSs") which are effective for accounting periods beginning on 1 January 2008. For the purposes of preparing and presenting Financial Information for the Relevant Periods, Have Result has adopted all these new HKFRSs consistently throughout the Relevant Periods.

As at the date of this report, the HKICPA has issued the following revised standards, amendments and interpretation that are not yet effective in the Relevant Periods. Have Result has not early applied the following new and revised standards, amendments and interpretations that have been issued but not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs ¹
HKFRSs (Amendments)	Improvements to HKFRSs 2009 ²
HKAS 1 (Revised)	Presentation of financial statements ³
HKAS 23 (Revised)	Borrowing costs ³
HKAS 27 (Revised)	Consolidated and separate financial statements ⁴
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation ³
HKAS 39 (Amendment)	Eligible hedged items ⁴
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate ³
HKFRS 2 (Amendment)	Vesting conditions and cancellations ³
HKFRS 3 (Revised)	Business combinations ⁴
HKFRS 7 (Amendment)	Improving disclosures about financial instruments ³
HKFRS 8	Operating segments ³
HK(IFRIC)* – INT 9 & HKAS 39 (Amendments)	Embedded derivatives ⁵
HK(IFRIC) – INT 13	Customer loyalty programmes ⁶
HK(IFRIC) – INT 15	Agreements for the construction of real estate ³
HK(IFRIC) – INT 16	Hedges of a net investment in a foreign operation ⁷
HK(IFRIC) – INT 17	Distribution of non-cash assets to owners ⁴

HK(IFRIC) – INT 18

Transfer of assets from customers ⁸

- ¹ Effective for annual periods beginning on or after 1 January 2009 except for the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009.
- ² Effective for annual periods beginning on or after 1 January 2009, 1 July 2009 and 1 January 2010, as appropriate.
- ³ Effective for annual periods beginning on or after 1 January 2009.
- ⁴ Effective for annual periods beginning on or after 1 July 2009
- ⁵ Effective for annual periods ending on or after 30 June 2009.
- ⁶ Effective for annual periods beginning on or after 1 July 2008.
- ⁷ Effective for annual periods beginning on or after 1 October 2008.
- ⁸ Effective for transfers on or after 1 July 2009.
- * IFRIC represents the International Financial Reporting Interpretations Committee.

The directors of Have Result anticipate that the application of the other new or revised standards, amendments or interpretations will have no material impact on the results or financial position of Have Result.

4. SIGNIFICANT ACCOUNTING POLICIES

The Underlying Financial Statements have been prepared on the historical cost basis as explained in the principal accounting policies set out below.

The Underlying Financial Statements have been prepared in accordance with accounting policies which conform with Hong Kong Financial Reporting Standards issued by the HKICPA. These policies have been consistently applied throughout the Relevant Periods. The principal accounting policies adopted are as follows:

Foreign currencies

Transactions in currencies other than the entity's functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss in the period in which they arise.

For the purpose of presenting financial statements, the assets and liabilities of Have Result operations are translated into Hong Kong dollars using exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rates for the year, unless exchange rates fluctuated significantly during that year, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (exchange fluctuation reserve). Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Exploration and evaluation assets

Geological and geophysical costs are expensed when incurred. Costs of exploratory wells are capitalised pending a determination of whether sufficient quantities of potentially economic oil reserves have been discovered. The related well costs are expensed if it is determined that such economic viability is not attained within one year of completion of drilling.

Otherwise, the related well costs are reclassified to oil properties and subject to depletion and impairment review. For wells found economically viable reserves in areas where a major capital expenditure would be required before production can begin, the related well costs remain capitalised only if additional drilling is under way or firmly planned. Otherwise the well costs are expensed as dry holes.

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.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when an entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in income statement.

Financial liabilities and equity

Financial liabilities and equity instruments issued by an entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of Have Result after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Other financial liabilities

Other financial liabilities including other payables, amount due to immediate holding company and other loan are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by Have Result are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire, or the assets are transferred and Have Result has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of consideration received and receivable and any cumulative gain or loss that had been recognised directly in equity is recognised in consolidated income statement.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in consolidated income statement.

Taxation

Taxation represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Have Result's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognized on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying Have Result's accounting policies which are described in note 4, management has made various estimates based on past experience, expectations of the future and other information. 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, are discussed below.

Oil reserves are key elements in Have Result's investment decision-making process. They are also important elements in depletion, depreciation and amortisation calculation and in testing for impairment. Changes in proven oil reserves will affect unit-of-production depreciation charges. Proven reserves estimates are subject to revision, either upward or downward, based on new information, such as from development drilling and production activities or from changes in economic factors, including product prices, contract terms or development plans. In general, changes in the estimation of oil reserves resulting from new information becoming available from development and production activities have tended to be the most significant cause of annual revisions. Changes to the estimates of proven reserves may affect the amount of depreciation and amortisation recorded in the financial statements for exploration and evaluation assets. A reduction in proven reserves will increase depreciation and amortisation charges (assuming constant production) of exploration and evaluation assets and reduce profits.

6. BUSINESS AND GEOGRAPHICAL SEGMENTS

For the Relevant Period, Have Result was principally engaged in petroleum production in Argentina. The results, assets and liabilities of Have Result during the Relevant Period was mainly related to the investment holding and holding of hydrocarbons exploration and evaluation assets and, the assets are mainly located in Argentina.

Since Have Result 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".

7. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging: -

	<i>HK\$'000</i>
Auditor's remuneration	–
Directors' remuneration	–
Other staff costs	117
	<u>117</u>

8. INCOME TAX

- a) No provision for Hong Kong Profits Tax has been made as Have Result 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 Have Result operates, based on existing legislation, interpretations and practices in respect thereof.
- b) No provision for deferred taxation has been made as there were no temporary differences at the balance sheet date.

9. EXPLORATION AND EVALUATION ASSETS

HK\$'000

CARRYING VALUE

At date of incorporation

—

Additions

84,240

At 31 May 2009

84,240

Pursuant to legal opinion obtained, the directors of Have Result defines the Puesto Pozo Cercado Concession and Chañares Herrados Concession (collectively the “Concessions”) as the concession of hydrocarbon exploitation concession in the Cuyana Basin, Mendoza Province, Argentina, covering a total surface area of approximately 169.4 and 40 square kilometers respectively. The Puesto Pozo Cercado Concession was awarded to Chañares Herrados Empresa de Trabajos Petroleros S.A. (“Chañares”), the concessionaire, under International Public Bid No. 1/92. Award of this area to Chañares was made by Resolution No. 782, dated June 26, 1992, issued by the Ministry of Economy and Public Works of the National Government, and approved by National Decree No. 1276, dated July 21, 1992. In accordance with law No. 17,319 the term of this exploitation concession is 25 years, with the possibility of obtaining a 10-year extension under certain conditions. The “Chañares Herrados” Area was obtained by Chañares under an assignment agreement executed with YPF Sociedad Anonima. This area is one of the areas that was formerly owned by YPF S.E. (i.e., when it was a state-owned company), and was converted into an exploitation concession at the time YPF S.E. became a private company (YPF Sociedad Anonima) in accordance with Law No. 24,145. Administrative Decision No. 21 from Chief of Cabinet of the National Government, dated April, 19, 1996, authorized the assignment of this hydrocarbon exploitation concession to Chañares. In accordance with Law No. 17,319 the term of this exploitation concession is 25 years, with the possibility of obtaining a 10-year extension under certain conditions. Pursuant to legal opinion obtained, the directors of Have Result consider that the aforesaid decrees are legal, valid and enforceable.

Chañares entered into a joint venture agreement (“JV Agreement”) with Maxipetrol – Petroleros de Occidente S.A. (formerly known as Oxipetrol – Petroleros de Occidente S.A., (“Maxipetrol”)) on 14 November 2007 in connection with the “Puesto Pozo Cercado” Area and “Chañares Herrados” Area (“Areas”), for the purposes of the development of incremental production in the Areas, through the investments to be made by Maxipetrol, within the scope set forth in the JV Agreement.

Under the JV Agreement, it was established that the hydrocarbons obtained from the wells drilled within the scope of the JV Agreement, as well as any other benefit obtained from the exploitation of the works performed thereunder, shall be distributed in the following proportion: 28% (twenty eight percent) for Chañares and 72% (seventy two percent) for Maxipetrol. In the JV Agreement, Maxipetrol was expressly allowed to individually enter into agreements of technical and financial assistance with capital and technology investors in order to comply with the obligations undertaken by it under the JV Agreement, provided however that the capital and technology investors which enter into an agreement with Maxipetrol shall not become members of the Joint Venture created under the JV Agreement or parties thereto.

Maxipetrol entered into an Agreement for the Assignment of Rights, Investment and Technical Cooperation (the “Assignment Agreement”) with Have Result dated 24 November 2007, as amended and/or supplemented by (i) a deed of undertaking executed by Maxipetrol on 12 December 2007; (ii) a supplementary deed of undertaking executed by Maxipetrol on 28 December 2007; and (iii) a document entitled “Amendment to Contract of Assignment of Rights, Investment and Technical Cooperation” executed by and between Maxipetrol and Have Result, dated 19 December 2008. Under the Assignment Agreement, at the consideration of US\$20,000,000 (approximately HK\$156,000,000), Maxipetrol assigned in favor of Have Result 51% of its rights on the future production as a consequence of new drillings and the operation of new wells in the Areas and assigned in favor of Have Result the power to designate its technical representative before the Operating Committee under the JV Agreement. Maxipetrol undertook to obtain Have Result’s prior written authorization in respect of any decision to be adopted by Maxipetrol as member of the JV Agreement and Have Result undertook to make all the necessary investments, regarding both drillings and infrastructure, as set forth in Sections 6.1 and related sections of the JV Agreement. As from the date the wells drilled under the terms of the Assignment Agreement go into production, Maxipetrol shall reimburse Have Result for 21% of the aggregate investments made by Have Result in the Areas.

It was expressly put on record in the Assignment Agreement that the assignment of rights by Maxipetrol in favor of Have Result thereunder was being made to the same extent as that established in the JV Agreement, and therefore, Have Result may subrogate into the rights vested in Maxipetrol vis-a-vis Chañares.

Pursuant to the UTE Agreement dated 6 August 2009 entered into between Maxipetrol and Have Result, a temporary union of enterprise was organised in which Have Result has a 70.83% interest and Maxipetrol a 29.17% interest for carrying out the operation of petroleum production in the Areas, and Maxipetrol would reimburse 29.17% of the aggregate amount of the investments made by the UTE/Have Result to Have Result.

As for the fair value of the interest in the Concessions acquired, the fair value of the consideration paid was used to account for Have Result's interest in the Concessions.

Have Result has not commenced any exploration activity on the Concessions as at 31 May 2009.

During the Relevant Period, the management of Have Result determines that there is no impairment of exploration and evaluation assets.

10. AMOUNT DUE TO IMMEDIATE HOLDING COMPANY

The amount is due to City Smart and is interest-free, unsecured and repayable on demand.

11. OTHER LOAN

Other loan represents a loan from TCL. The amount was unsecured and interest free. The loan was net off against the consideration when TCL subscribed for 3,800 shares of Have Result on 4 August 2009.

12. SHARE CAPITAL

	Number of ordinary shares	Amount US\$
Authorised:		
Ordinary shares of US\$1 each at 31 May 2009	50,000	50,000
Issued and fully paid:		
Ordinary shares of US\$1 each at 31 May 2009	1	1

13. CAPITAL RISK MANAGEMENT

Have Result manages its capital to ensure that entities in Have Result will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. Have Result's overall strategy remains unchanged during the Relevant Period.

The capital structure of Have Result consists of net debts, which includes other loan disclosed in note 11 and amount due to immediate holding company net of cash and cash equivalents and equity attributable to equity holders of Have Result, comprising issued share capital and net of accumulated losses. The directors of Have Result review the capital structure on annual basis. As part of this review, the directors consider the cost of capital and the risks associates with each class of capital. Have Result will balance its overall capital structure through the payment of dividends and new share issues as well as the issue of new debt or the redemption of existing debt.

14. FINANCIAL INSTRUMENTS

Categories of financial instruments

HK\$'000

Financial liabilities

Amortised cost

97,111

Financial risk management objectives and policies

Have Result's major financial instruments include other payables, amount due to immediate holding company and other loan. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include credit risk, market risk (interest rate risk and currency risk) and liquidity risk and the policies applied by Have Result to mitigate these risks are set out below. Management monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Market risk*Currency risk*

Have Result's exposure to currency risk is attributable to the bank balances and cash and deposits which are denominated in foreign currencies of HK\$. Have Result currently does not have a foreign currency hedging policy in respect of foreign currency exposure since HK\$ is pegged to the US\$ and majority transactions are conducted in functional currency, management considers Have Result's exposure to currency risk is minimal. However, management monitors the related foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

Liquidity risk

The directors of Have Result have built an appropriate liquidity risk management framework for the management of Have Result's short, medium and long term funding and liquidity management requirements. In the management of the liquidity risk, Have Result monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance Have Result's operations and mitigate the effects of fluctuations in cash flows. Have Result relied on the financial support of the immediate holding company.

The following table details Have Result's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which Have Result can be required to pay. The table includes both interest and principal cash flows.

Liquidity and interest risk tables

	Weighted average effective interest rate %	Repayable on demand HK\$'000	1-3 months HK\$'000	3 months to 1 year HK\$'000	1-5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying Amount HK\$'000
2009							
Amount due to immediate holding company	N/A	85,231	—	—	—	85,231	85,231
Other Loan	N/A	11,700	—	—	—	11,700	11,700
		<u>96,931</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>96,931</u>	<u>96,931</u>

Fair value of financial assets and financial liabilities

The carrying amounts of amount due to immediate holding company and other loan approximate their respective fair values due to the relatively short maturity of these financial instruments.

15. CAPITAL COMMITMENTS

HK\$'000

Capital expenditure contracted for but not provided in the financial statements:

– for the assignment of exploitation right (<i>note a</i>)	71,760
– for wells drilling (<i>note b</i>)	163,800

235,560

- (a) Pursuant to the Assignment Agreement dated 24 November 2007 as amended/supplemented by the “Amendment to Contract of Assignment of Rights, Investment and Technical Cooperation” dated 19 December 2008 executed by and between Maxipetrol and Have Result, Have Result is obliged to pay to Maxipetrol US\$20,000,000 (approximately HK\$156,000,000) in consideration of her assignment of 51% rights on the future production as a consequence of new drillings and the operation of new wells in the Areas according to the following payment schedule:

- US\$8,500,000 (approximately HK\$66,300,000) on/before 31 May 2008
- US\$1,500,000 (approximately HK\$11,700,000) on/before 31 December 2008
- US\$1,500,000 (approximately HK\$11,700,000) on/before 7 March 2009
- US\$1,000,000 (approximately HK\$7,800,000) on/before 31 May 2009
- US\$7,500,000 (approximately HK\$58,500,000) on/before 30 November 2010

As at 31 May 2009, Have Result had paid US\$10,800,000 (approximately HK\$84,240,000) to Maxipetrol (*note 9*).

- (b) Maxipetrol is obliged to drill five production wells and provide for the infrastructure works that are necessary for the incremental production that the wells to be drilled may generate in the year 2009 under the JV Agreement. At least two of such wells shall reach the deep reservoir formation in the Areas. Failure to meet the minimum drilling requirements may render the JV Agreement liable to be terminated. Have Result has assumed the obligation of Maxipetrol for drilling the minimum production wells in the year 2009 pursuant to the Assignment Agreement.

16. POST BALANCE SHEET EVENT

On 4 August 2009, Have Result allotted and issued 9,999 shares of US\$ 1 each for cash, while City Smart subscribed for 6,199 shares with HK\$97,330,000 and TCL subscribed for 3,800 shares with HK\$110,000,000, which partly net off with the balance of other loan (note 12). After the issuance of new shares, Have Result was owned as to 62% by City Smart and as to 38% by TCL.

Yours faithfully,

BNS CONCORD CPA LIMITED

Certified Public Accountants (Practising)

Hong Kong, 9 October 2009

CHENG SING WAI

Practising Certificate number P03636

2. MANAGEMENT DISCUSSION AND ANALYSIS ON HAVE RESULT**Operating results**

Have Result was incorporated in the British Virgin Islands on 12 September 2007 and is principally engaged in the production of petroleum in the Areas pursuant to the Assignment Agreement. During the period from 12 September 2007 (date of incorporation) to 31 May 2009 (the “Period”), Have Result recorded net loss of approximately HK\$12.9 million, representing mainly the legal and professional fee and consultancy fee incurred by Have Result in relation to the operating interest in the Areas. Have Result did not generate any turnover during the Period.

Liquidity and financial resources

As at 31 May 2009, Have Result had outstanding loan due to TCL of approximately HK\$11.7 million. The gearing ratio of Have Result as at 31 May 2009, calculated as total liabilities over total assets, was 115.3%. On 4 August 2009, the aforesaid loan due to TCL was wholly capitalised by the issue of 3,800 new shares of Have Result to TCL.

Capital structure

As at 31 May 2009, Have Result had net liabilities amounted to approximately HK\$12.9 million and it had no cash balance. The operation of Have Result has been mainly financed by its parent companies and loan from TCL. It did not use any financial instruments for hedging purpose.

Charges on assets

As at 31 May 2009, no asset of Have Result was charged.

Foreign currency risk exposure

Since the operations of Have Result are in Argentina and most of the transactions, monetary assets and liabilities are denominated in United States Dollars, Have Result has limited foreign currency risk exposure. Have Result did not undertake any hedging activities against exchange rates during the Period.

Number of employees and remuneration policies

As at 31 May 2009, Have Result had one employee. Total staff costs incurred during the Period amounted to approximately HK\$117,000. Remuneration of staff is determined according to qualifications, experience, job nature, performance and market conditions.

Contingent liabilities

As at 31 May 2009, Have Result did not have any contingent liabilities.

Investment in the Areas

As at 31 May 2009, the investment of Have Result in the Areas was approximately US\$10.8 million (equivalent to approximately HK\$84.24 million), representing the amount paid by Have Result to Maxipetrol for the assignment of operating rights in the Areas pursuant to the Assignment Agreement.

Capital expenditure commitments

Pursuant to the Assignment Agreement, Have Result agreed to pay Maxipetrol a total of US\$20 million (equivalent to approximately HK\$156 million) in consideration for the assignment of 51% rights on the future production as a consequence of new drillings and the operation of new wells in the Areas. As mentioned above, US\$10.8 million (equivalent to approximately HK\$84.24 million) had been paid by Have Result as at 31 May 2009. Accordingly, Have Result had capital commitment in respect of the exploitation rights in the Areas of US\$9.2 million (equivalent to approximately HK\$71.76 million) as at 31 May 2009, representing the outstanding amount payable to Maxipetrol pursuant to the Assignment Agreement. Subsequent to 31 May 2009, further amount has been paid by Have Result and therefore the capital commitment in this respect decreased to US\$7.5 million (equivalent to approximately HK\$58.5 million) as at the Latest Practicable Date.

Pursuant to the Assignment Agreement and the UTE Agreement, Have Result is committed to drill five production wells, two of which must reach the deep reservoir formation in the Areas, as well as to undertake infrastructure works for the treatment and transportation of crude oil in 2009. The commitment for five production wells and the infrastructure works is estimated to be US\$21,000,000 (equivalent to approximately HK\$163,800,000) as at 31 May 2009.

Future plan for investments or capital assets

According to the master development plan 2009 previously submitted to the operating committee of the JV Agreement, Have Result planned to drill at least five production wells, two of which would reach the deep reservoir formation in the Areas, per calendar year beyond 2009. Have Result has commenced the planning and foundation works for drilling its first well in the Areas in June 2009 and is currently drilling three wells, one of which will reach the deep reservoir formation. One of the shallow wells and one deep well are expected to commence commercial operation in mid October 2009 and mid November 2009 respectively.

Subject to the availability of funding, Have Result plans to seek the approval of Chañares, the approval of the Environmental Authorities and the Hydrocarbons Authority of the Province of Mendoza and obtaining the land permits for an investment plan of drilling up to forty wells per year within four years (up to one hundred and sixty wells in aggregate), with a minimum of ten wells per year once the drilling of the first three wells is completed.

The following are the unaudited pro forma financial information on the Enlarged Group and the text of the accountants' report thereon received from the reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, prepared for the purpose of inclusion in this circular:

1. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

A. INTRODUCTION

Pursuant to the Agreement as set out in the Circular, the Group has conditionally agreed to acquire the entire issued share capital of Have Result (the "Acquisition") at a consideration of HK\$3,341,520,000 (subject to adjustment).

According to the Agreement, the consideration is to be satisfied as to (i) HK\$840,000,000 by the issue of the PN which carries interest at 1% plus 6-month HIBOR or the Prime Rate per annum, whichever is the lower; (ii) through the allotment of 1,000,000,000 Shares at an issue price of HK\$0.19 each; and (iii) the issue of 20-year zero-coupon CB of HK\$2,311,520,000 (equivalent to 11,275,707,317 Conversion Shares) (subject to adjustment) at an initial conversion price of HK\$0.205 per Share (subject to adjustment). The consideration was determined after arm's length negotiations between the parties by taking into account the valuation on Have Result prepared using market approach, based on the consideration for other reported petroleum or related transactions, the estimated amount of petroleum resources in the Areas according to the technical report, and the 51% operating interest of Have Result in the Areas.

Additional consideration up to HK\$1,000,000,000 may be payable by the Group by way of the issue of the Additional CB in the event that the Updated Technical Report to be issued within two years subsequent to completion shows that the proved reserves of oil in the Areas exceed certain specified volume. Since this pro forma financial information is prepared solely for illustrative purpose of the effect of (i) the Acquisition on the financial position of the Enlarged Group as if the Acquisition had been completed on 30 June 2009; and (ii) the Acquisition on the financial performance and cash flow position of the Enlarged Group as if the Acquisition had been completed on 1 January 2008, the possible adjustment on the consideration was not reflected in the pro forma financial information of the Enlarged Group.

The unaudited pro forma financial information of the Enlarged Group (the "Unaudited Pro Forma Financial Information") has been prepared by the Directors in accordance with paragraph 29 of Chapter 4 of the Listing Rules for the purpose of illustrating the effects of the Acquisition.

The preparation of the unaudited pro forma combined balance sheet of the Enlarged Group is based on (i) the unaudited consolidated balance sheet of the Group as at 30 June 2009 which has been extracted from the interim report of the Group for the six months ended 30 June 2009 as set out in Appendix I to this circular; and (ii) the audited balance sheet of Have Result as at 31 May 2009 as extracted from the accountants' report on Have

Result for the period from 12 September 2007 (date of incorporation) to 31 May 2009 as set out in Appendix II to this circular, after making pro forma adjustments relating to the Acquisition that are (i) directly attributable to the transactions; and (ii) factually supportable, as if the Acquisition has been completed on 30 June 2009.

The preparation of the unaudited pro forma combined income statement and cash flow statement of the Enlarged Group is based on (i) the audited consolidated income statement and audited consolidated cash flow statement of the Group for the year ended 31 December 2008 which have been extracted from the audited consolidated financial statements of the Group for the year ended 31 December 2008 as set out in Appendix I to this circular; and (ii) the audited income statement and audited cash flow statement of Have Result for the period from 12 September 2007 (date of incorporation) to 31 May 2009 as extracted from the accountants' report on Have Result as set out in Appendix II to this circular, after making pro forma adjustments relating to the Acquisition that are (i) directly attributable to the transactions; and (ii) factually supportable, as if the Acquisition has been completed on 1 January 2008.

The Unaudited Pro Forma Financial Information is based on a number of assumptions, estimates and uncertainties. The accompanying Unaudited Pro Forma Financial Information does not purport to describe (i) the actual financial position of the Enlarged Group that would have been attained had the Acquisition been completed on 30 June 2009; and (ii) the actual results and cash flows of the Enlarged Group that would have been attained had the Acquisition been completed on 1 January 2008. The Unaudited Pro Forma Financial Information does not purport to predict the future financial position, results and cash flows of the Enlarged Group.

These transactions are to be accounted for as acquisition of assets and liabilities as the company proposed to be acquired does not constitute a business. The principal asset of Have Result is the exploration and evaluation assets in the Areas. In the opinion of the Directors, for the purpose of this pro forma financial information, the fair value of the net assets acquired is assumed to be HK\$3,172,384,000. The fair value of these net assets acquired was assumed with reference to the fair value of the consideration which is to be settled by (i) the issue of the PN of HK\$840,000,000; (ii) the allotment of 1,000,000,000 Shares at an issue price of HK\$0.19 each and; (iii) the issuance of 11,275,707,317 Conversion Shares at the fair value of HK\$0.19 per Conversion Share. The fair value of the assets and liabilities are subject to change upon completion of the Acquisition because the fair value of the assets and liabilities shall be assessed and recorded on the date of completion.

The Unaudited Pro Forma Financial Information should be read in conjunction with the historical financial information of the Group as set out in the published annual report of the Group for the year ended 31 December 2008 and published interim report of the Group for the six months ended 30 June 2009 and other financial information included elsewhere in this circular.

APPENDIX III

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

B. Unaudited Pro Forma Combined Balance Sheet of the Enlarged Group

	The Group as at 30 June 2009 HK\$'000	Have Result as at 31 May 2009 HK\$'000	Pro Forma Adjustments HK\$'000	Notes	Pro Forma Enlarged Group HK\$'000
Non-current assets					
Exploration and evaluation assets	–	84,240	3,190,255	(a)	3,274,495
Property, plant and equipment	36,852	–			36,852
Prepaid lease payments	22,467	–			22,467
Financial asset at fair value through profit and loss	2,684	–			2,684
	<u>62,003</u>	<u>84,240</u>			<u>3,336,498</u>
Current assets					
Inventories	214,098	–			214,098
Loan receivables	15,962	–			15,962
Trade and other receivables	662,677	–			662,677
Held-for-trading investments	117,586	–			117,586
Derivative financial instruments	11,996	–			11,996
Trade receivable from a joint venture partner	9,648	–			9,648
Prepaid lease payments	532	–			532
Pledged bank deposits	22,596	–			22,596
Bank balances and cash	104,340	–	(5,000)	(b)	99,340
	<u>1,159,435</u>	<u>–</u>			<u>1,154,435</u>
Current liabilities					
Trade and other payables	190,458	180			190,638
Borrowings	166,438	–			166,438
Amount due to City Smart	–	85,231			85,231
Loan from TCL	–	11,700			11,700
Current tax liabilities	13,913	–			13,913
	<u>370,809</u>	<u>97,111</u>			<u>467,920</u>
Net current assets (liabilities)	<u>788,626</u>	<u>(97,111)</u>			<u>686,515</u>
Total assets less current liabilities	850,629	(12,871)			4,023,013
Non-current liability					
Promissory note	–	–	840,000	(c)	840,000
NET ASSETS (LIABILITIES)	<u>850,629</u>	<u>(12,871)</u>			<u>3,183,013</u>
Capital and reserves					
Issued capital	41,313	–	10,000	(d)	51,313
Reserves	809,316	(12,871)	2,335,255	(e)	3,131,700
Equity attributable to owners of the Company	<u>850,629</u>	<u>(12,871)</u>			<u>3,183,013</u>

APPENDIX III**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP****C. Unaudited Pro Forma Combined Income Statement of the Enlarged Group**

	The Group for the year ended 31 December 2008 HK\$'000	Have Result for the period from 12 September 2007 (date of incorporation) to 31 May 2009 HK\$'000	Pro Forma Adjustments HK\$'000	<i>Notes</i>	Pro Forma Enlarged Group HK\$'000
Revenue	2,546,532	—			2,546,532
Cost of Sales	<u>(2,458,477)</u>	<u>—</u>			<u>(2,458,477)</u>
Gross profit	88,055	—			88,055
Other income	62,785	—			62,785
Distribution and selling expenses	(37,097)	—			(37,097)
Administrative expenses	(84,399)	—			(84,399)
Other expenses	(20,475)	(12,871)			(33,346)
Finance costs	<u>(7,988)</u>	<u>—</u>	(27,972)	(f)	<u>(35,960)</u>
	881	(12,871)			(39,962)
Taxation	<u>(8,714)</u>	<u>—</u>			<u>(8,714)</u>
Loss for the year/period	<u><u>(7,833)</u></u>	<u><u>(12,871)</u></u>			<u><u>(48,676)</u></u>
Attributable to:					
Equity holders of the Company	(3,993)	(12,871)	(27,972)		(44,836)
Minority interests	<u>(3,840)</u>	<u>—</u>			<u>(3,840)</u>
	<u><u>(7,833)</u></u>	<u><u>(12,871)</u></u>			<u><u>(48,676)</u></u>

APPENDIX III

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

D. Unaudited Pro Forma Combined Cash Flow Statement of the Enlarged Group

	The Group for the year ended 31 December 2008 <i>HK\$'000</i>	Have Result for the period from 12 September 2007 (date of incorporation) to 31 May 2009 <i>HK\$'000</i>	Pro Forma Adjustments <i>HK\$'000</i>	Notes	Pro Forma Enlarged Group <i>HK\$'000</i>
Operating activities					
Profit (loss) before taxation	881	(12,871)	(27,972)	(f)	(39,962)
Adjustments for:					
Depreciation of property, plant and equipment	3,747	—			3,747
Loss on disposal of property, plant and equipment	85	—			85
Impairment loss recognised in respect of property, plant and equipment	715	—			715
Impairment loss recognised in respect of goodwill	14,251	—			14,251
Loss on disposal of a subsidiary	289	—			289
Share-based payment expense	5,594	—			5,594
Amortisation of prepaid lease payments	570	—			570
Write-down of inventories	3,116	—			3,116
Gain on fair value change of index-linked note	(344)	—			(344)
Interest income	(4,246)	—			(4,246)
Interest expenses	7,988	—	27,972	(f)	35,960

APPENDIX III

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

	The Group for the year ended 31 December 2008 HK\$'000	Have Result for the period from 12 September 2007 (date of incorporation) to 31 May 2009 HK\$'000	Pro Forma Adjustments HK\$'000	<i>Notes</i>	Pro Forma Enlarged Group HK\$'000
Operating cash flows before movements in working capital	32,646	(12,871)			19,775
Decrease in inventories	109,706	–			109,706
Increase in trade and other receivables	(219,867)	–			(219,867)
Decrease in trade receivable from a joint venture partner	17,227	–			17,227
Increase in investments of held-for-trading financial assets	(15,163)	–			(15,163)
(Decrease) increase in trade and other payables	(26,665)	180			(26,485)
Increase in derivative financial instruments	<u>(24,310)</u>	<u>–</u>			<u>(24,310)</u>
Cash used in operations	(126,426)	(12,691)			(139,117)
Hong Kong Profits Tax paid	<u>(2,277)</u>	<u>–</u>			<u>(2,277)</u>
Net cash used in operating activities	<u>(128,703)</u>	<u>(12,691)</u>			<u>(141,394)</u>

APPENDIX III
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP**

	The Group for the year ended 31 December 2008 HK\$'000	Have Result for the period from 12 September 2007 (date of incorporation) to 31 May 2009 HK\$'000	Pro Forma Adjustments HK\$'000	<i>Notes</i>	Pro Forma Enlarged Group HK\$'000
Investing activities					
Payment for exploration and evaluation assets	–	(84,240)	(5,000)	(b)	(89,240)
Purchases of property, plant and equipment	(9,108)	–			(9,108)
Proceeds from disposal of property, plant and equipment	3	–			3
Interest received	2,982	–			2,982
Acquisition of subsidiaries	53,358	–			53,358
Acquisition of additional interest in a jointly controlled entity through purchase of a subsidiary	(20,818)	–			(20,818)
Disposal of a subsidiary	(6)	–			(6)
Loan advanced	(26,000)	–			(26,000)
Receipts from repayment of loan receivables	44,933	–			44,933
Increase in pledged bank deposits	(16,793)	–			(16,793)
Net cash from (used in) investing activities	<u>28,551</u>	<u>(84,240)</u>			<u>(60,689)</u>

APPENDIX III
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP**

	The Group for the year ended 31 December 2008 HK\$'000	Have Result for the period from 12 September 2007 (date of incorporation) to 31 May 2009 HK\$'000	Pro Forma Adjustments HK\$'000	<i>Notes</i>	Pro Forma Enlarged Group HK\$'000
Financing activities					
New borrowings raised	532,320	—			532,320
Proceeds from issue of shares upon exercise of share options	915	—			915
Repayment of bank borrowings	(459,931)	—			(459,931)
Dividend paid	(10,328)	—			(10,328)
Interest paid	(7,988)	—	(27,972)	(f)	(35,960)
Payment on repurchase of shares	(2,438)	—			(2,438)
Advance from City Smart	—	85,231			85,231
Advance from TCL	—	11,700			11,700
Net cash from financing activities	<u>52,550</u>	<u>96,931</u>			<u>121,509</u>
Net decrease in cash and cash equivalents	(47,602)	—			(80,574)
Cash and cash equivalents at beginning of the year/period	145,047	—			145,047
Effect of foreign exchange rate changes	<u>1,943</u>	<u>—</u>			<u>1,943</u>
Cash and cash equivalents at end of the year/period, representing bank balances and cash	<u>99,388</u>	<u>—</u>			<u>66,416</u>

Notes:

- a. These transactions are to be accounted for as acquisition of assets and liabilities as the company proposed to be acquired does not constitute a business. The principal asset of Have Result is the evaluation and exploration right in the Areas.

In connection with the Acquisition, the consideration will be satisfied as to (i) HK\$840,000,000 by the issue of the PN which carries interest at 1% plus 6-month HIBOR or the Prime Rate per annum, whichever is the lower; (ii) the allotment of 1,000,000,000 Shares at an issue price of HK\$0.19 each; and (iii) the issue of 11,275,707,317 Conversion Shares upon the conversion of 20-year zero-coupon CB at the initial conversion price of HK\$0.205 per Share (subject to adjustment).

The Company has no obligation to repay any outstanding principal amount of the CB but has the right at its discretion to redeem any principal amount of the CB at its face value. CB holder(s) shall have the right to convert the whole or any part of the outstanding principal amount of the CB into Shares (subject to restrictions) at any time and from time to time on any business day prior to the maturity date of the CB at the conversion price of HK\$0.205 per Share. The CB meets the definition of equity under Hong Kong Accounting Standard 32 “Financial Instruments: Presentation” issued by the Hong Kong Institute of Certified Public Accountants and therefore is accounted for as equity of the Company. For the purpose of the unaudited pro forma balance sheet of the Enlarged Group, the fair value of the Conversion Shares as at the date of Completion is assumed to be HK\$0.19 per Conversion Share which represents the fair value of the Shares as at the date of the Agreement. The Directors consider that the adoption of the market value of Shares as at 30 June 2009 is not meaningful for the purpose of the preparation of this unaudited pro forma financial information since the determination of fair value using the market value of the Shares at that date will result in a significant difference to the preliminary estimated fair value of the assets and liabilities of Have Result.

This represents the estimated fair value of the assets and liabilities of Have Result as at 30 June 2009 of HK\$3,172,384,000 and the estimated professional fees attributable to the Acquisition of HK\$5,000,000. In the opinion of the Directors, the fair value of the assets and liabilities were assumed to be equal to the fair value of the consideration which is to be settled by (i) the PN with principal amount of HK\$840,000,000 which the Directors consider that its fair value approximates its carrying amount; (ii) 1,000,000,000 Shares issued at HK\$0.19; and (iii) 11,275,707,317 Conversion Shares issued at fair value of HK\$0.19 each. All of the fair value of these assets and liabilities are subject to change upon completion of the Acquisition because the fair value of the assets and liabilities shall be assessed and recorded on the date of completion.

Upon Completion, a potential non-cash loss arising from the difference between the fair value of the consideration, which includes the share-based payment, and the fair value of identifiable assets and liabilities of Have Result will be recorded in the Enlarged Group’s consolidated statement of comprehensive income should the fair value of the consideration, which includes the share-based payment, is higher than the fair value of identifiable assets and liabilities of Have Result. The effect of the recognition of such fair value difference, which in essence inflates the equity account with a corresponding charge to the consolidated statement of comprehensive income, has no effect on the net assets value of the Enlarged Group and arises purely from the accounting treatment in accordance with Hong Kong Financial Reporting Standards.

- b. This represents the cash outflow of estimated professional fees attributable to the Acquisition of approximately HK\$5,000,000.
- c. This represents the issue of the PN at fair value of HK\$840,000,000 upon completion of the Acquisition.
- d. This represents the allotment and issue of the 1,000,000,000 new ordinary Shares at nominal value of HK\$0.01 each representing share capital of HK\$10,000,000 upon completion of the Acquisition.

- e. This represents the combined effects of: (i) share premium of HK\$180,000,000 arising from the issue of new Shares upon completion of the Acquisition; (ii) the issue of 11,275,707,317 Conversion Shares at fair value of HK\$0.19 each upon completion of the Acquisition; and (iii) elimination of the reserves of Have Result of HK\$12,871,000.
- f. The amount of HK\$27,972,000 represents the interest on the PN with effective interest rate of 3.33% per annum, which is calculated at 1% plus 6-month HIBOR at 31 December 2008 for Hong Kong dollars on the principal value of the PN totalling HK\$840,000,000.
- g. On 4 August 2009, Have Result allotted and issued 6,199 and 3,800 shares of US\$1 each to City Smart and TCL respectively, as the settlement of the amount due to City Smart and loan from TCL.

**2. ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL
INFORMATION**

Deloitte.
德勤

TO THE DIRECTORS OF EPI (HOLDINGS) LIMITED

We report on the unaudited pro forma financial information of EPI (Holdings) Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) together with Have Result Investments Limited (together with the Group hereinafter collectively referred to as the “Enlarged Group”), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the proposed acquisition of the entire issued share capital of Have Result Investments Limited might have affected the financial information presented, for inclusion in Section 1 of Appendix III to the circular of the Company dated 9 October 2009 (the “Circular”). The basis of preparation of the unaudited pro forma financial information is set out in Section 1 of Appendix III to the 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 paragraph 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.

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’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with 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 purpose 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 purpose only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of:

- the financial position of the Enlarged Group as at 30 June 2009 or any future date; or
- the results and cash flows of the Enlarged Group for the year ended 31 December 2008 or any future period.

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.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

9 October 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 as at 30 June 2009 of the market value of a 100% equity interest in Have Result to be acquired by the Company.

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@bmintelligence.com Website網址：www.bmi-appraisals.com

9 October 2009

The Directors
EPI (Holdings) Limited
Room 6303, 63rd Floor
Central Plaza
No. 18 Harbour Road
Wanchai
Hong Kong

Dear Sirs,

INSTRUCTIONS

We refer to the instructions from EPI (Holdings) Limited (referred to as the “Company”) for us to provide our opinion on the market value of a 100% equity interest in Have Result Investments Limited (referred to as “Have Result”) which holds 51% interest in the Chañares Herrados and Puesto Pozo Cercado License Areas (jointly referred to as the “Oilfield”) located in the Cuyana Basin, Mendoza Province, Argentina Republic (“Argentina”) as at 30 June 2009.

This report describes the background of Have Result, the basis of valuation and assumptions, explains the valuation methodology utilized and presents our conclusion of value.

BASIS OF VALUATION

We have conducted our valuation in accordance with the Business Valuation Standards published by the Hong Kong Business Valuation Forum in 2005. 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”.

DATE OF VALUATION

We have been instructed by the Company to value a 100% equity interest in Have Result as at the date of valuation on 30 June 2009. The date of valuation is the specific point of time as of which our opinion of value applies. As markets and market conditions may change, the estimated value may be inaccurate or inappropriate at another time. The valuation amount will reflect the actual market status and circumstances as at the date of valuation, not as at either a past or future date.

BACKGROUND OF HAVE RESULT

The hydrocarbons exploitation concessions of the Oilfield is currently 100% owned by Chañares Herrados Empresa De Trabajos Petroleros S.A. (referred to as “Chañares”) and approximately 75 exploration and production wells have been drilled on the license blocks. The license blocks combined encompass approximately 210 square kilometers, and vast portions of the two license areas remain undeveloped.

On 14 November 2007, Maxipetrol – Petroleros de Occidente S.A. (referred to as “Maxipetrol”), entered into a joint venture agreement with Chañares for the development of incremental production in the Oilfield, pursuant to which Maxipetrol would be responsible for the investment in connection with the drilling of new wells and production of petroleum. The petroleum produced from the wells drilled, as well as any other benefit obtained from the exploitation of the works performed on the Oilfield, shall be distributed as to 28% to Chañares and as to 72% to Maxipetrol. Moreover, Maxipetrol was expressly allowed to individually enter into agreements of technical and financial assistance with capital and technology investors in connection with the petroleum production in the Oilfield.

Pursuant to the assignment agreement entered into between Maxipetrol and Have Result on 24 November 2007, as amended and supplemented on 12 December 2007, 28 December 2007 and 19 December 2008, Maxipetrol assigned the rights on future production as a consequence of new drillings in the Oilfield to Have Result. Maxipetrol and Have Result further entered into a temporary union of enterprises agreement (referred to as the “UTE Agreement”) on 6 August 2009 for the respective rights, obligations and the cooperation among parties thereto in connection with the petroleum production in the Oilfield. According to the UTE Agreement, Have Result has a 70.83% interest and Maxipetrol a 29.17% interest in the further development of the Oilfield. Therefore, Have Result has a 51% working interest in new wells drilled in the Oilfield under those agreements.

According to the Assessment of the Contingent and Prospective Oil Resources for Certain Shallow Reservoirs and Deep Reservoir Prospects in the Chañares Herrados and Puesto Pozo Cercado License Areas located in Mendoza Province, Argentina (referred to as the “Technical Report”) dated 1 January 2009 issued by Netherland, Sewell & Associates, Inc. (referred to as the “Technical Consultant”), the contingent and prospective oil resources in certain shallow reservoirs in the Oilfield are as follows:

Category	Contingent Oil Resources (MMBBL)	
	Gross (100 Percent)	Net
Low Estimate (1C)	88.6	39.8
Best Estimate (2C)	146.9	65.9
High Estimate (3C)	245.5	110.2

Category	Unrisked Prospective Oil Resources (MMBBL)	
	Gross (100 Percent)	Net
Low Estimate	7.6	3.4
Best Estimate	13.5	6.1
High Estimate	22.8	10.2

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 shown in Figure 1. As of January 1, 2009, proved world oil reserves, as reported by the Oil & Gas Journal, were estimated at 1,342 billion barrels, 10 billion barrels (about 1%) higher than the estimate for 2008. According to the Oil & Gas Journal, 56% of the world's proved oil reserves are located in the Middle East.

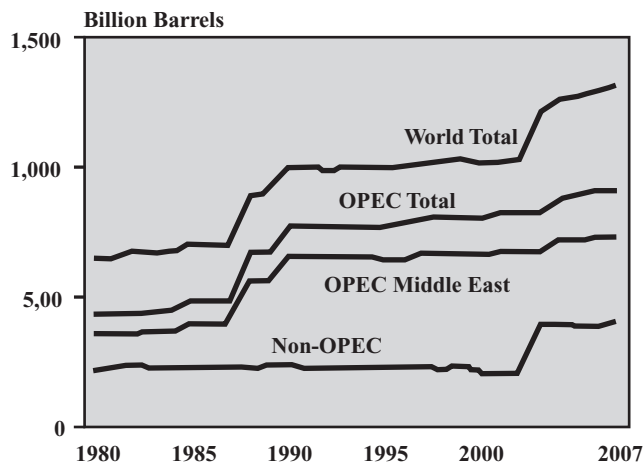


Figure 1. World Crude Oil Reserves, 1980-2007

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.

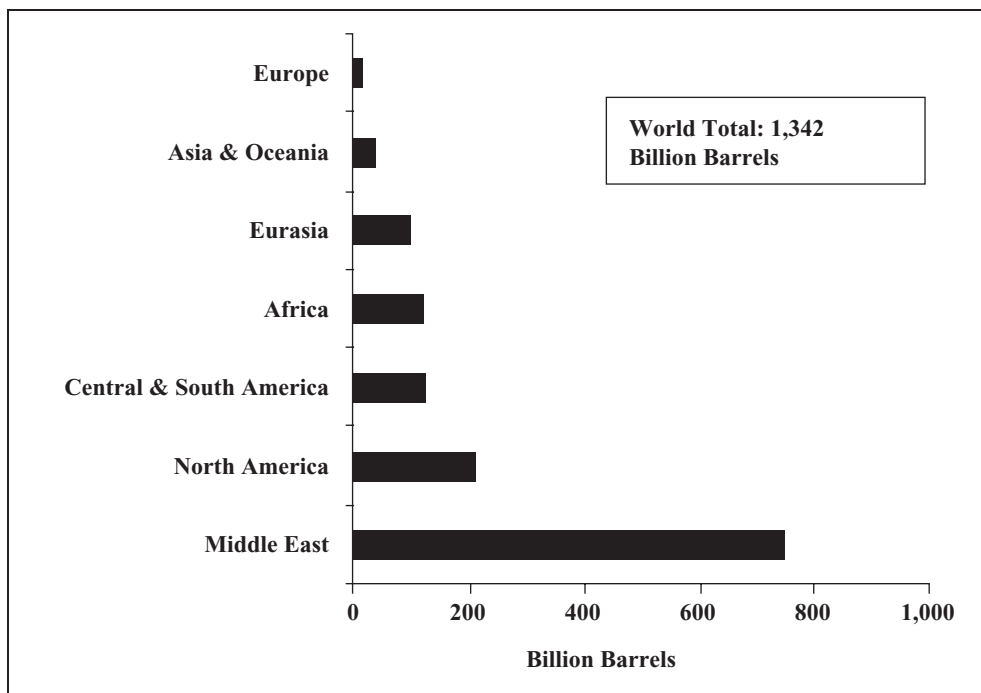


Figure 2: World Proved Oil Reserves by Geographic Region as of 1 January 2009

(Source: Data extracted from *World Proved Crude Oil Reserves, January 1, 2009 Estimates*, Energy Information Administration)

Among the top 20 reserve holders in 2009, 11 are OPEC member countries that, together, account for 70% of the world's total reserves. The world oil reserves by country as at 1 January 2009 have been listed out as follows:

Country	Oil Reserve <i>(Billion Barrels)</i>
Saudi Arabia	266.7
Canada	178.1
Iran	136.2
Iraq	115.0
Kuwait	104.0
Venezuela	99.4
United Arab Emirates	97.8
Russia	60.0
Libya	43.7
Nigeria	36.2
Kazakhstan	30.0
United States	21.3
China	16.0
Qatar	15.2
Brazil	12.6
Algeria	12.2
Mexico	10.5
Angola	9.0
Azerbaijan	7.0
Norway	6.7
Rest of the World	64.6
World Total	<u><u>1,342.2</u></u>

(Source: Data extracted from World Proved Crude Oil Reserves, January 1, 2009 Estimates, Energy Information Administration)

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 down 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.

Table 1. World Marketed Energy Consumption by Country Group, 2005-2030
(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

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 also is 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.

SOURCE OF INFORMATION

For the purpose of our valuation, we have been furnished with the financial and operational data related to Have Result, which were given by the senior management of the Company.

The valuation of Have Result required consideration of all pertinent factors affecting the economic benefits of Have Result and its abilities to generate future investment returns. The factors considered in our valuation included, but were not limited to, the following:

- The business nature of Have Result;
- The financial information of Have Result;
- The geological information of Have Result;
- The specific economic environment and competition for the market in which Have Result operates or will operate;
- Market-derived investment return of entities engaged in similar lines of business; and
- The financial and business risks of Have Result, including the continuity of income and the projected future result.

Our opinion on the market value of Have Result is mainly based on the resource reserve results of the Oilfield as 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 Have Result, 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 Have Result;
- Performed market research and obtained statistical figures from public sources;
- Examined all relevant bases and assumptions of financial, operational and geological information of Have Result, which were provided by the senior management of the Company;
- Prepared a business financial model to derive the indicated value of Have Result; and
- Presented all relevant information on the background of Have Result, 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 Have Result operates or will operate, a number of assumptions have had to be established in order to sufficiently support our concluded opinion of value of Have Result. 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 Have Result operates or will operate;
- There will be no major changes in the current taxation law in the jurisdiction where Have Result operates or will operate, that the rates of tax payable remain unchanged and that all applicable laws and regulations will be complied with;
- The financial information in respect of Have Result 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

To the best of our knowledge, except for the 51% working interest in the Oilfield, Have result has no other operating assets and therefore the market value of Have Result is mainly dominated by the value of the Oilfield.

Three generally accepted valuation methodologies have been considered in valuing Have Result. 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 Have Result, 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 that 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 Have Result 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. We referred to 84 recent sales and purchase transactions related to oilfields over the world (referred to as the “Transactions”) till June 2009, of which we further analyzed the natures, the presentation methods of the reserves and other parameters that may affect the comparability to the 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, 23 of the 84 transactions were selected as the comparable transactions (referred to as the “Comparable Transactions”). The Comparables 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 sized 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 and the market value of Have Result accordingly.

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
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
13	02 Mar 2009	Zargon Energy Trust	Masters Energy Inc	Canada	41.40	2.60	15.92
14	31 Mar 2009	Paramount Energy Trust	Profound Energy Inc	Canada	112.90	12.20	9.26
15	06 Apr 2009	Lexaria Corp	Belmont Lake Oil And Gas Field	United States	0.19	0.03	5.81
16	09 Apr 2009	Cheetah Oil & Gas Ltd	Belmont Lake Field Assets	United States	0.05	0.01	5.81
17	18 May 2009	Encore Energy Partners-Lp	Vinegarone Field Properties	United States	53.80	4.00	13.45
18	22 May 2009	Seaview Energy Inc-A	Certain Assets	Canada	26.50	1.80	14.72

Note	Acquisition Date	Acquirer	Target	Location of the Target	Adjusted Consideration Price (US\$M)	Proved and Probable Reserve (MMB)	Adjusted P/Reserve
19	26 May 2009	Painted Pony Petroleum Cl A	Bakken Oil Properties	Canada	10.00	0.82	12.14
20	07 Jun 2009	Daylight Resources Trust	Intrepid Energy Corp	Canada	92.33	6.90	13.38
21	15 Jun 2009	Terra Energy Corp	Certain Assets	Canada	76.60	8.50	9.01
22	22 Jun 2009	Avenir Diversified Income Trust	Ridgeback Exploration Ltd	Canada	26.50	1.70	15.59
23	27 Jun 2009	Nuvista Energy Ltd	Martin Creek Properties	Canada	174.00	18.80	9.26
Weighted-Average Adjusted P/Reserve Multiple:							<u>12.76</u>

Note:

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 19 June 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-V:OE.A) and Cruiser Oil & Gas Ltd. (TSX-V:COG) on 24 September 2008; and
12. Announcement jointly made by Stetson Oil & Gas Ltd. (TSX VENTURE:SSN) (“Stetson”) and Rhea Resources Inc. (“Rhea”) on 16 December 2008.
13. Announcement jointly made by Zargon Energy Trust (TSX:ZAR.UN) and Masters Energy Inc. (TSX:MSY) on 2 March 2009;
14. Announcement jointly made by Paramount Energy Trust (TSX:PMT.UN) and Profound Energy Inc. (TSX:PFX) on 31 March 2009;
15. Announcement made by Lexaria Corp. (OTC BB: LXRA) on 6 April 2009;
16. Announcement made by Cheetah Oil & Gas Ltd. on 7 April 2009;
17. Announcement made by Encore Energy Partners LP (ENPN) on 18 May 2009;
18. Announcement made by Seaview Energy Inc. on 22 May 2009;

19. Announcement made by Painted Pony Petroleum Ltd. on 26 May 2009;
20. Announcement made by Daylight Resources Trust on 7 June 2009;
21. Announcement made by Terra Energy Corp. on 15 June 2009;
22. Announcement made by Ridgeback Exploration Ltd. on 22 June 2009; and
23. Announcement made by NuVista Energy Ltd (TSX:NVA) on 27 July 2009.

The weighted-average Adjusted P/Reserve multiple of 12.76 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 90,840,000 barrels, which was estimated with reference to the Best Estimate Category of the Contingent Oil Resources and the Unrisked Prospective Oil Resources stated in Technical Report by considering the geological and economical risks.

According to the Technical Report, Have Result has only prospective and contingent resources but no proved reserves attributable to its interests in the CH and PPC license Area. Considering the Weight-Average Adjusted P/Reserve Multiple as stated in our valuation report refers to weighted average acquisition price for each barrel of oil reserve based on recent market transactions, we seek for the professional opinion from an experienced engineer currently working on the CH and PPC license Area and as per his advice, at least 60% of the unrisked contingent resource and 20% of the unrisked prospective resource estimations and as mentioned in the Technical Report could be converted into reserves. Therefore, 60% and 20% were adopted in our valuation to convert the “Contingent Resources” and “Prospective Resources” class oil resources to “Reserves” class, taking into account all the risks including but not limited to geologic and economic risks related to both resource categories. The adjustment has been made in our valuation to reflect the different classifications between those resources of the comparable transactions and those resources in the Oilfield in which Have Result has an operating interest. Therefore we considered the Weighted-Average Adjusted P/Reserve Multiple can fairly reflect the market value of Have Result.

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 Have Result. 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, Have Result, the Technical Consultant or us.

Based on our investigation and analysis outlined in this report, it is our opinion that the market value of a 100% equity interest in Have Result as at 30 June 2009 is **US\$612,000,000 (UNITED STATES DOLLARS SIX HUNDRED AND TWELVE MILLION ONLY)**. Our concluded value is subject to changes such as any further geologic evaluation result and operational information of the Oilfield.

We hereby certify that we have neither present nor prospective interest in the Company, Have Result, the Technical Consultant or the value reported.

Yours faithfully,
For and on behalf of
BMI APPRAISALS LIMITED

Dr. Tony C. H. Cheng
*BSc, MUD, MBA(Finance), MSc(Eng), PhD(Econ),
FCIM, FRSM, SICME, SIFM, MHKIS, MCI Arb,
AFA, MASCE, MIET, MIEEE, MASME, MIIE,
MASHRAE, MAIC*
Managing Director

Marco T. C. Sze
*B.Eng(Hon), PGD(Eng), MBA(Acct),
CFA, AICPA/ABV, RBV*
Director

Dr. Jue Wang
*B.Eng (Oil and Gas Geology),
MSc (Petroleum Exploration Engineering),
Ph.D (Structural Geology)*
Director

1. *Dr. Tony C. H. Cheng serves as the Chairman of Institute of Mechanical Engineers, China and 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 those of Have Result worldwide.*
2. *Mr. Marco T. C. Sze is a holder of Chartered Financial Analyst, a member of the American Institute of Certified Public Accountants (AICPA) and is accredited in Business Valuation by the AICPA. In addition, he is a Registered Business Valuer under the Hong Kong Business Valuation Forum. He has over 3 years' experience in valuing similar assets or companies engaged in similar business activities as those of Have Result worldwide.*
3. *Dr. Jue Wang has over 20 years of operation and senior management in upstream exploration and production activities in oil and gas industry and has over 5 years' experience in the assessment of petroleum assets.*

The following is the text of the technical report prepared by NSAI for the purpose of inclusion in the circular.



CHAIRMAN & CEO	EXECUTIVE COMMITTEE
C. H. (SCOTT) REES II	P. SCOTT FROST - DALLAS
PRESIDENT & COO	J. CARTER HENDON, JR. - HOUSTON
CHERYL D. SIMMONS	DAN PAUL SMITH - DALLAS
EXECUTIVE VP	JOSEPH J. SPELLMAN - DALLAS
G. LANCE BREWER	THOMAS J. TULLA II - DALLAS

October 2, 2009

Mr. Joseph Wong
EPI Holdings Limited
Room 6303, 63rd Floor, Central Plaza
18 Harbour Road, Wanchai
Hong Kong

Dear Mr. Wong:

We have conducted an assessment of the contingent oil resources for certain shallow reservoirs and the unrisks prospective oil resources for certain deep reservoir prospects, as of January 1, 2009, to the Have Result Investment LTD (Have Result) interest in certain long-term drilling agreements with respect to the Chañares Herrados (CH) and Puesto Pozo Cercado (PPC) License Areas located in the Cuyana Basin, Mendoza Province, Argentina. After our independent assessment was performed for Have Result, we were notified that EPI Holdings Limited has entered into an agreement to acquire the entire share capital of Have Result. Throughout this report, we continue to refer to the evaluated interest as Have Result's interest. Our estimates of prospective resources are presented as unrisks gross (100 percent) and net resources only; however, we have included our assessment of geologic risk herein. 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 approved by the Society of Petroleum Engineers; definitions are presented immediately following this letter. Following the definitions is a list of abbreviations used in this report. This report does not include economic analysis for these properties, although an economic screening analysis was performed that indicated the economic viability of the contingent resources identified herein. No economic screening analysis was performed for the prospective resources identified herein. 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.

The CH and PPC Licenses are currently 100 percent owned by Chañares Herrados Empresa de Trabajos Petroleros S.A. (Chañares Herrados S.A.). Have Result has signed the Assignment Agreement and the UTE Agreement with Maxipetrol – Petroleros de Occidente S.A. (Maxipetrol S.A.), formerly Oxipetrol – Petroleros de Occidente S.A., which had previously and separately signed a long-term agreement with Chañares Herrados S.A. The result is that Have Result and Maxipetrol S.A. together have rights to propose, drill, and complete new wells on the two license areas. Have Result has a 51 percent working interest in new wells drilled under these agreements with Maxipetrol S.A. having a 21 percent

working interest and Chañares Herrados S.A. retaining a 28 percent working interest, subject to Have Result and Maxipetrol S.A. carrying Chañares Herrados S.A.'s portion of capital expenditures.

CONTINGENT RESOURCES

Contingent resources are those quantities of petroleum that are estimated, as of a given date, to be potentially recoverable from known accumulations, but for which the applied project or projects are not yet considered mature enough for commercial development because of one or more contingencies. The resources shown in this report are contingent upon (1) the ongoing approval of Chañares Herrados S.A. of the drilling locations proposed by Have Result and Maxipetrol S.A. under the long-term drilling agreements, to the exclusion of any other agreements that may exist, including one that is known to exist, and (2) the attainment of 10-year extensions to both licenses, which currently expire in December 2016. If the first contingency is resolved, some portion of the contingent resources estimated in this report may be reclassified as reserves; additional volumes may potentially be reclassified as reserves if the second contingency is also resolved.

We estimate the contingent oil resources to the Have Result interest in certain long-term drilling agreements with respect to certain shallow reservoirs in the CH and PPC License Areas, as of January 1, 2009, to be:

Category	Contingent Oil Resources (MMBBL)	
	<i>Gross</i>	<i>Net</i>
	(100 Percent)	
Low Estimate (1C)	088.6	039.8
Best Estimate (2C)	146.9	065.9
High Estimate (3C)	245.5	110.2

Net volumes reflect Have Result's 51 percent working interest and account for the 12 percent royalty payable to the Mendoza Province. The oil resources shown include crude oil only. Oil volumes are expressed in millions of barrels (MMBBL); a barrel is equivalent to 42 United States gallons. These shallow reservoirs are not expected to produce commercial volumes of gas.

The contingent resources shown in this report have been estimated using a combination of deterministic and probabilistic methods. If all contingencies are removed in favor of Have Result, the probability that the quantities of contingent oil resources actually recovered will equal or exceed the estimated amounts is at least 90 percent for the low estimate (1C), at least 50 percent for the best estimate (2C), and at least 10 percent for the high estimate (3C). The contingent resources included herein have not been adjusted for commercial risk.

The contingent resources shown in this report are estimates only and should not be construed as exact quantities. They may or may not be recovered, and, because of governmental policies and uncertainties of supply and demand, the sales rates, prices received for the contingent resources, and costs incurred in recovering such resources may

vary, which could cause a loss of economic viability. These contingent resources are for undeveloped locations. Therefore, these resources are based on estimates of reservoir volumes and recovery efficiencies along with analogy to properties with similar geologic and reservoir characteristics; it may be necessary to revise these estimates as additional performance data become available. Also, estimates of resources may increase or decrease as a result of future operations.

PROSPECTIVE RESOURCES

The 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.

We estimate the arithmetic sum of unrisks prospective oil resources to the Have Result interest in certain longterm drilling agreements with respect to nine deep reservoir prospects in the CH and PPC License Areas, as of January 1, 2009, to be:

Category	Unrisks Prospective Oil Resources (MMBBL)	
	Gross	Net
	(100 Percent)	
Low Estimate	07.6	03.4
Best Estimate	13.5	06.1
High Estimate	22.8	10.2

Net volumes reflect Have Result's 51 percent working interest and account for the 12 percent royalty payable to the Mendoza Province. There is a substantial geological risk of discovery that is not accounted for in the unrisks prospective resources estimates shown above. The oil resources shown include crude oil only. These deep reservoir prospects are not expected to produce commercial volumes of gas.

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. If a discovery is made, the probability that the unrisks quantities of oil 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. It should be noted that the arithmetic sum of multiple probability distributions is correct only when summing the mean values. The arithmetic sum of the low estimates may be conservative and the arithmetic sum of the high estimates may be optimistic, depending on the level of interdependency among various technical input variables for each prospect analyzed, which can be difficult to estimate. Statistical summation of multiple independent prospect entities tends to result in the narrowing of the probability spread between the low and high estimates toward the total sum of the means relative to arithmetic summation.

While no geologic discovery risk was applied to the prospective resources volumes, 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. 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. Based on this risk analysis, our estimates of the probability of geologic success (Pg) for the nine deep reservoir prospects ranges from 8 to 26 percent. The geologic risk factors estimated for each prospect are presented in the Summary Report of the Technical Advisor.

Unrisked prospective resources are estimated ranges of recoverable oil and gas volumes assuming a petroleum discovery is made and are based on estimated ranges of undiscovered in-place volumes. 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 volume by its respective geologic chance of success, risked prospective resources volumes for each prospect are obtained. Risking of prospective resources in this way can provide a statistical estimate of volumes that might ultimately be recovered from a 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 prospect risk assessments, neither of which are valid conditions in this case. In any event, prospective resources volumes should not be construed as reserves or contingent resources because there is a substantial risk associated with discovery. Likewise, prospective resources volumes should not be valued as if they were reserves or contingent resources because of this added risk.

It should be understood that the prospective resources discussed and shown herein are those undiscovered, highly 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.

DISCUSSION

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 and exhibits.

Based on our understanding of the various agreements that establish Have Result's interest in future wells, Have Result has the right to technically evaluate the two license areas and propose new wells. Approval for new wells must be granted by Chañares Herrados

S.A., after which Have Result has the obligation to drill the wells, which are then handed over to Chañares Herrados S.A. to operate based on the established fiscal terms. For the agreements to continue, with drilling rights in future years, Have Result must continue to drill at least five wells per year, two of which must be drilled to the deep Potrerillos Formation. Have Result must also continue to build onto surface facility infrastructure and drill at least one water injection well for each five new producing wells in order to maintain drilling rights for subsequent years. Approval by Chañares Herrados S.A. of each proposed well is not guaranteed under the agreements, although the agreements specify that rejection can occur only under specific conditions, which are technical in nature and largely controllable by Have Result. These agreements, allowing for Have Result and Maxipetrol S.A. to propose and drill a minimum of five wells per year, are continuous so long as Have Result and Maxipetrol S.A. meet their annual contractual obligations to propose, drill, and fund the new wells for that year and there are no breaches of contract by either Have Result or Maxipetrol S.A., until expiration of the CH and PPC Licenses. A provision within the drilling agreements allows for their automatic extension if extensions to the CH and PPC Licenses are granted to Chañares Herrados S.A.

Of some concern is that Chañares Herrados S.A. signed a similar drilling agreement with Petrolera El Trebol S.A. (PET S.A.) before the drilling agreement was signed with Maxipetrol S.A. This sets up a potential competition for drilling the undeveloped locations described herein. We do not know the details of Chañares Herrados S.A.'s agreement with PET S.A., except that a number of wells have already been drilled by PET S.A. in past years. As such, there is no guarantee that some or even a significant portion of the contingent and prospective resources identified herein might not ultimately be drilled by PET S.A. to the exclusion of Have Result and Maxipetrol S.A., or even by Chañares Herrados S.A. itself to the exclusion of Have Result. This commercial uncertainty forms the primary reason that the resources identified herein for the shallow reservoirs are classified as contingent resources rather than being elevated to the reserves classification level.

The contingent resources estimated herein are attributable to 199 undeveloped locations that could be drilled on 450-meter spacing outside the limits of current development and an additional 184 locations that could be drilled as infill wells within this newly drilled area, leaving a 450-meter spacing buffer with respect to all existing wells. While the current drilling agreements are written to provide for 450-meter spacing between wells, we understand that this exists to protect from drainage between three groups of wells: (1) those drilled early by Chañares Herrados S.A. alone, (2) those drilled more recently by PET S.A. under its drilling agreement, and (3) those to be drilled by Have Result and Maxipetrol S.A. under their drilling agreements. We have been advised that Chañares Herrados S.A. intends for the contractual 450-meter well spacing to apply only to spacing between wells of different groups. Therefore, Have Result and Maxipetrol S.A. could seek to develop contiguous areas that would allow them to propose and drill infill wells on 225-meter spacing as long as all surrounding wells are those drilled under the Have Result and Maxipetrol S.A. agreements such that the contractual 450-meter spacing between Have Result and Maxipetrol S.A. wells and those belonging solely to Chañares Herrados S.A. or those drilled by Petrolera El Trebol S.A. is maintained. Chañares Herrados S.A. has not yet approved any infill wells.

The CH and PPC Licenses have a current expiration date of December 2016, although we understand that the owner of the licenses, Chañares Herrados S.A., is in the process of seeking a 10-year extension of the licenses.

This extension is an important contingency that needs to be resolved in order to recover the resources estimated herein.

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 contractual rights to the properties have not been examined by Netherland, Sewell & Associates, Inc., nor has the actual degree or type of interest owned been independently confirmed. The data used in our estimates were obtained from Chañares Herrados S.A., Maxipetrol S.A., Have Result, public data sources, and the nonconfidential files of Netherland, Sewell & Associates, Inc. and were accepted as accurate. Supporting geologic, field performance, 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.**

Texas Registered Engineering Firm F-002699

By:

C.H. (Scott) Rees III, P.E.
Chairman and Chief Executive Officer

By:

Richard F. Krenek II, P.E. 73198
Vice President

By:

Philip R. Hodgson, P.G. 1314
Vice President

Date Signed: October 2, 2009

Date Signed: October 2, 2009

RFK:MJF

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.

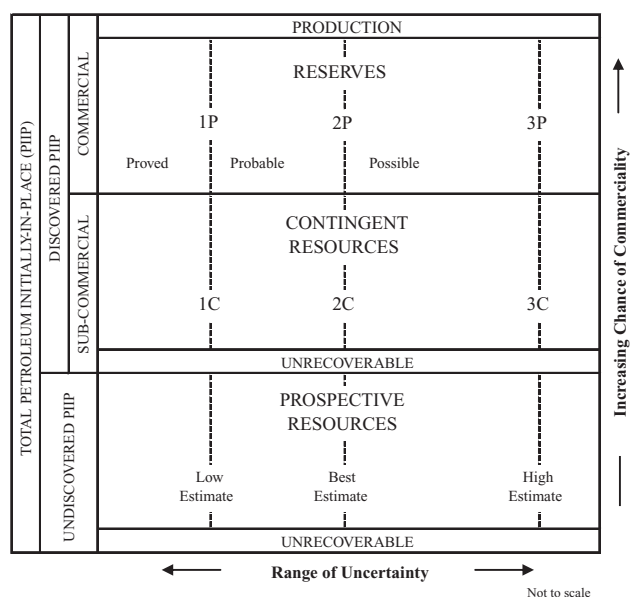


Figure 1-1: Resources Classification Framework

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:

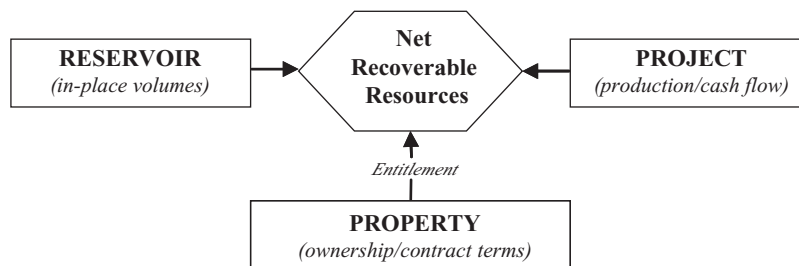


Figure 1-2: Resources Evaluation Data Sources

- 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 (riskbased) 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. 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). 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.

Class/Sub-Class	Definition	Guidelines
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. 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 Unclassified 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.
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.

Class/Sub-Class	Definition	Guidelines
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.
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 recompletion 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). 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. 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.

Category	Definition	Guidelines
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. 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

1C	low estimate contingent resources
2C	best estimate contingent resources
3C	high estimate contingent resources
AAPG	American Association of Petroleum Geologists
BOPD	barrels of oil per day
CH	Chañares Herrados
Chañares Herrados S.A.	Chañares Herrados Empresa de Trabajos Petroleros S.A.
EPI	EPI Holdings Limited
EUR	estimated ultimate recovery
GOR	gas-oil ratio
Have Result	Have Result Investment LTD
IPO	initial public offering
km ²	square kilometers
Maxipetrol S.A.	Maxipetrol – Petroleros de Occidente S.A.
MBBL	thousands of barrels
MMBBL	millions of barrels
NSAI	Netherland, Sewell & Associates, Inc.
OOIP	original oil-in-place
Oxipetrol S.A.	Oxipetrol – Petroleros de Occidente S.A.
P _g	probability of geologic success
PET S.A.	Petrolera El Trebol S.A.
PPC	Puesto Pozo Cercado
PRMS	Petroleum Resources Management System
SEG	Society of Exploration Geophysicists
SPE	Society of Petroleum Engineers
SPEE	Society of Petroleum Evaluation Engineers
WPC	World Petroleum Council

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SUMMARY REPORT OF THE TECHNICAL ADVISOR

**SUMMARY REPORT OF THE TECHNICAL ADVISOR
NETHERLAND, SEWELL & ASSOCIATES, INC.
TO EPI HOLDINGS LIMITED
FOR SUBMISSION TO THE STOCK EXCHANGE OF
HONG KONG LIMITED
AS OF JANUARY 1, 2009
PREPARED OCTOBER 2, 2009**

This summary report has been prepared by Netherland, Sewell & Associates, Inc. (NSAI) for EPI Holdings Limited (EPI), a company incorporated in Bermuda with limited liability, in accordance with Chapter 18, Section 18.09(6), of the Listing Rules of The Stock Exchange of Hong Kong Limited. This report constitutes the “Summary Report of the Technical Advisor” regarding Have Result Investment LTD’s (Have Result’s) interest in certain long-term drilling agreements and the undeveloped contingent and prospective resources related thereto, as of January 1, 2009, for the Chañares Herrados (CH) and Puesto Pozo Cercado (PPC) License Areas located in the Cuyana Basin, Mendoza Province, Argentina, as shown on the maps in Figures 1 and 2. After our independent assessment was performed for Have Result, we were notified that EPI has entered into an agreement to acquire the entire share capital of Have Result. As such, we have addressed this report to EPI. Throughout this report, we continue to refer to the evaluated interest as Have Result’s interest.

The CH and PPC Licenses are currently 100 percent owned by Chañares Herrados Empresa de Trabajos Petroleros S.A. (Chañares Herrados S.A.), and approximately 75 exploration and production wells have been drilled on the license blocks. These license blocks combined encompass approximately 210 square kilometers (km²), and vast portions of the two license areas remain undeveloped. Rather than perform its own ongoing development of the two license areas, Chañares Herrados S.A. has elected to sign drilling agreements allowing certain companies to continue drilling and development of the properties. Have Result has signed the Assignment Agreement and the UTE Agreement with Maxipetrol – Petroleros de Occidente S.A. (Maxipetrol S.A.), formerly Oxipetrol – Petroleros de Occidente S.A. (Oxipetrol S.A.), which had previously and separately signed a long-term agreement with Chañares Herrados S.A. The result is that Have Result and Maxipetrol S.A. together have rights to propose, drill, and complete new wells on the two license areas. Have Result has a 51 percent working interest in new wells drilled under these agreements with Maxipetrol S.A. having a 21 percent working interest and Chañares Herrados S.A. retaining a 28 percent working interest, subject to Have Result and Maxipetrol S.A. carrying Chañares Herrados S.A.’s portion of capital expenditures.

NSAI has reviewed the property and identified significant undeveloped potential within the two license areas. Because Chañares Herrados S.A. has indicated that they have no intention of developing the two license areas on their own, because the Have Result drilling agreements are long term with no stated expiration date, and because Have Result has stated its intention to drill as many wells as can be reasonably justified under the agreements, it is possible that a substantial portion of the resources identified herein will be developed by Have Result and Maxipetrol S.A., thereby giving Have Result a 51 percent working interest in a substantial portion of the contingent and prospective resources identified herein.

However, the right to drill for any or all of the NSAI-identified contingent or prospective resources is subject to annual drilling commitments and to ongoing approval by Chañares Herrados S.A., and such approval is not guaranteed in the drilling agreements. Furthermore, Petrolera El Trebol S.A. (PET S.A.) has been given rights by Chañares Herrados S.A. to drill wells within the CH and PPC License Areas, and there is no assurance that some of the contingent and prospective resources identified herein might not be drilled by PET S.A. to the exclusion of Have Result and Maxipetrol S.A., or even by Chañares Herrados S.A. itself to the exclusion of Have Result and Maxipetrol S.A. These commercial uncertainties form the primary reason that the volumes identified herein as contingent resources are classified as such rather than being elevated to the reserves classification level.

Given that we have identified many locations for future drilling, the length of concession life becomes an additional contingency. We understand that the CH and PPC Licenses have a current expiration date of December 2016, although we further understand that the owner of the licenses, Chañares Herrados S.A., is in the process of seeking a 10-year extension of the licenses. This extension is an important additional commercial contingency in recovering the resources estimated herein.

Our assessment of the undeveloped drilling potential consisted of (1) several technical meetings in Buenos Aires and Mendoza, Argentina, with technical representatives of Chañares Herrados S.A. present to review the geology, petroleum system model, and current level of development for the CH and PPC License Areas; (2) data analysis and review of published reports on the Cuyana Basin and Mendoza Region of Argentina; (3) detailed analysis of available 3-D seismic data over portions of the two license areas culminating in the development of a structural model and preparation of numerous structure maps; (4) petrophysical analysis and generation of net pay maps resulting in the calculation of in-place volumes for developed reservoirs; (5) review of historical production performance for existing wells resulting in the estimation of ultimate recovery and calculation of recovery factors for the developed reservoirs; (6) identification of remaining drilling potential in these reservoirs, including well counts, well locations, and per-well recovery estimates; (7) hydrocarbon system assessment and uncertainty/risk analysis for the deeper reservoirs developed in only one well but not yet fully delineated; (8) seismic interpretation and mapping of prospects in these deeper reservoirs; and (9) a hydrocarbon system assessment and uncertainty/risk analysis along with a probabilistic resources assessment of nine identified deep prospects. Our estimates of prospective resources are presented as unrisks resources volumes only; however, we have included our assessment of geologic risk in this report.

We have estimated contingent and prospective resources for the CH and PPC License Areas in Mendoza, 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. Contingent resources are those quantities of petroleum that are estimated, as of a given date, to be potentially recoverable from known accumulations, but for which the applied project or projects are not yet considered mature enough for commercial development because of one or more contingencies. The primary contingency of these resources volumes, as stated previously, is the ongoing approval of Chañares Herrados S.A. of the available drilling locations proposed by Have Result and Maxipetrol S.A. under the long-term drilling agreements, to the exclusion of any other drilling agreements or

arrangements. A secondary, yet still important, contingency is the attainment of 10-year extensions to both licenses, which currently expire in December 2016. If all contingencies are removed in favor of Have Result, the probability that the quantities of contingent oil resources actually recovered will equal or exceed the estimated amounts is at least 90 percent for the low estimate (1C), at least 50 percent for the best estimate (2C), and at least 10 percent for the high estimate (3C). The contingent resources included herein have not been adjusted for commercial risk.

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 prospective resources estimated herein are subject to the same commercial contingencies for development as the identified contingent resources (continued approval for drilling despite competing agreements and license extensions), but are additionally subject to geologic discovery risk. The unrisks 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 for each of the identified prospects. If a successful discovery is made and all development contingencies are removed in favor of Have Result, the further probability that the quantities of prospective oil resources actually recovered will equal or exceed the unrisks 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 nine 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.

Our evaluation of the two license areas has been limited to that portion of the license areas that is underlain by 3-D seismic data. Should any parties decide to gather additional seismic data over the remaining portions of the license areas, additional prospects may be found.

In setting forth the contingent and prospective resources volumes, we have multiplied the total gross (100 percent) resources estimates by Have Result's 51 percent interest in the long-term drilling agreements in order to obtain working interest volumes. We have further subtracted the 12 percent royalty payable to the Mendoza Province in order to obtain net interest volumes. We have not reduced net resources volumes to reflect Have Result's obligations with respect to the 2 percent stamp/gross receipts tax or the approximately 1.2 percent checks/bank tax; these taxes should be accounted for as deductions to revenue in economic modeling. When creating an economic model, one should ensure that value added taxes are properly accounted for. As requested, we have not explicitly prepared a detailed economic model of cash flows for the contingent or prospective resources set forth herein.

The contingent resources volumes included in this report are for development drilling in stepout locations and associated infill wells, relative to existing well control and existing producers. These estimated contingent resources volumes are based on analogy to existing wells along with volumetric calculations for the undrilled areas. In identifying undrilled locations, deterministic methods were used. In estimating ultimate recoveries for these identified undeveloped locations, a combination of deterministic and probabilistic methods

was used. The uncertainties leading to contingency are solely commercial in nature. From a technical standpoint, these volumes would be classifiable as proved, probable, and possible reserves.

The estimates of prospective resources volumes in this report are based on limited available data, and they have been primarily based on probabilistic analysis using volumetric assessments incorporating available 3-D seismic data and available offset well log data. For the nine prospects, we considered uncertainty ranges of net rock volume, porosity, hydrocarbon saturation, and recovery factor in making our low, best, and high estimates of potential original 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. These risk factors range from moderate to high, such that the chance of each prospect being dry is greater than the chance of each prospect yielding a hydrocarbon discovery. 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 following summarizes our technical assessment of the undeveloped resources attributable to Have Result's interest in certain long-term drilling agreements with respect to the CH and PPC License Areas 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.

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 and resources consultants. NSAI has conducted reserves and resources 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, USA. Our present organization consists of 60 reservoir engineers, geoscientists, and petrophysicists; 75 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.

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 tended to include the type of information specified in Section 18.09(6) of the Hong Kong Listing Rules and have been prepared using widely accepted classification and reporting standards.

NSAI performs consulting petroleum engineering services under Texas Board of Professional Engineers Registration F-002699. 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. 73198

Philip R. Hodgson, P.G. 1314

Richard Krenek has a B.S. in Chemical Engineering with over 23 years of industry experience. Philip Hodgson has a B.S. in Geology and a M.S. in Geophysics with nearly 25 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. Philip has previously acted as Technical Advisor in connection with a number of public offerings, including a listing on The Stock Exchange of Hong Kong Limited.

The offices of both Technical Advisors involved in this assessment are located at the following address:

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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 first well on the CH License was drilled in 1961, and the first well on the PPC License was drilled in 1982. As of January 1, 2009, a total of 62 wells had been drilled in the CH License Area with a total cumulative production of 10.0 million barrels (MMBBL) of oil while a total of 13 wells had been drilled in the PPC License Area with a total cumulative production of 2.2 MMBBL. At January 1, 2009, the CH License Area was producing a total of approximately 2,280 barrels of oil per day (BOPD) from 35 active wells while the PPC License Area was producing a total of approximately 1,100 BOPD from 11 active wells. Most of the drilling has been historically concentrated in three areas, as shown on the location map of active and shut-in wells in Figure 3.

With the exception of one well, which is currently shut-in, all past and current producers on the two subject license areas were completed in the Jurassic age Barrancas Formation and the Late Triassic age Rio Blanco Formation. NSAI estimated the ultimate oil recovery for each of the producing wells by using historical oil rate-time performance trends to estimate remaining future production in the existing completion intervals, then adding this estimate to the cumulative production. An understanding of the producing characteristics, ultimate recoveries, and volumetric recovery factors in the developed areas was deemed critical for quantification of potential in the adjacent undeveloped areas. Natural water support is minimal in the Barrancas and Rio Blanco Reservoirs, such that water cut and water-oil ratio trends were of little use in evaluating remaining volumes for the producing wells. While 14 wells have been used for secondary waterflood injection at various times in the past, little definitive response has been seen to date. This is likely due to irregular and sparse injector spacing, the stratigraphic nature of the individual sand lenses, variability in completion intervals between producers and injectors, and overall well spacing between injectors and producers.

A characteristic of wells in the Cuyana Basin in general, and the two subject license areas in particular, is that estimated ultimate recoveries (EURs) vary significantly from well to well. Of the 75 wells drilled, a total of 65 wells were completed and put on production in

the shallow Barrancas and Rio Blanco Reservoirs. The EUR for these wells ranges from a low of 1 thousand barrels (MBBL) of oil to a high of 1,262 MBBL, with a mean of 317 MBBL and a median of 194 MBBL. Nine of these wells were observed to have repeated mechanical problems, which likely reduced ultimate recovery. If these nine wells are excluded from statistical analysis, the mean EUR increases to 345 MBBL while the median EUR increases to 210 MBBL. The EUR distribution and statistics provided herein are likely conservative, because we believe that a number of existing wells have the potential to be recompleted or have perforations added. Although we believe such undrained potential exists, insufficient data were available for us to quantify such additional potential. It is also highly likely that additional secondary recovery potential exists, though it will likely require drilling on tighter spacing than the current 450-meter distance between wells.

A single well has been completed in the deeper Potrerillos Formation. This well has cumulatively produced 1,088 MBBL of oil over a 16-year period before being shut in in early 1998, making it a prolific oil producer. Twelve other wells penetrated the deep Potrerillos Formation, but none of these other Potrerillos penetrations were ever successfully completed.

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 Cuyana Basin of Mendoza Province, Argentina, generally contains highly undersaturated oil with moderate solution gas-oil ratio (GOR). Productive reservoirs in the CH and PPC License Areas of the Cuyana Basin can be separated into a shallow reservoir group and a deep reservoir group. The shallow reservoir group consists of the Jurassic age Barrancas Formation and the Late Triassic age Rio Blanco Formation (Victor Claro, Victor Oscuro, and Victor Gris Members). All but one of the completed wells in the CH and PPC License Areas have produced from these shallow reservoirs.

The Barrancas Formation averages 100 meters gross thickness with interbedded pay intervals consisting of multiple 2- to 20-meter thick sections of oil-bearing sands and conglomerates. The depositional environment of the Barrancas Formation is likely fluvial. Based on well-to-well correlation work, Barrancas pay intervals vary in position within the gross interval, strongly indicating limited lateral extent of individual pay intervals and discontinuity among wells at the current 450-meter well spacing. This is likely a key reason why past waterflooding attempts have been only marginally successful. Hydrocarbon traps in the Barrancas Formation are structural or a combination of structural/stratigraphic. The Barrancas is a key interval, which contributes significantly to total field EUR.

The Rio Blanco Formation consists of three submembers: the shallow Victor Claro (Blanco Superior), the Victor Oscuro (Blanco Medio), and the deeper Victor Gris (Blanco Inferior). The lithology of the Rio Blanco Formation is similar to the Barrancas Formation

but with an increasing volcanic and pyroclastic component at deeper depths. The Victor Oscuro, the middle Rio Blanco interval, is a key interval, which appears to contribute significantly to total field EUR.

Porosities in the Barrancas and Rio Blanco Formations generally vary from 9 to 14 percent, and water saturations generally vary from 40 to 50 percent. Permeabilities are generally between 5 and 80 millidarcies. Produced oil gravity is approximately 31 to 33 degrees API, and the oil is highly paraffinic with a large fraction of long-chain (C_{20+}) hydrocarbons. The highly undersaturated crude oil has an initial GOR of 20 to 29 on a volume of gas per volume of oil basis.

Natural water drive appears to be relatively weak in these reservoirs. This apparent weakness of pressure support is likely because of a combination of stratigraphic isolation of individual sand lenses and a large number of fields in the area that are all connected to whatever limited regional aquifer may exist. Some limited waterflooding has been performed in the developed areas of the field through 14 irregularly spaced injectors. NSAI identified eight partial waterflood patterns with sufficient injection history and reviewed these patterns for response; this response has been marginal thus far, with only two of eight patterns showing oil rate increases that can be attributable to water injection. This marginal response is likely because of a combination of (1) irregular geometry and limited extent of individual sand bodies, (2) irregular spacing of injectors with no fully watersupported producers, and (3) wide well spacing.

While a significant portion of the two license areas remains undeveloped, a number of concentrated areas have been developed on approximately 450-meter well spacing. By coupling volumetric calculations of original oil-in-place (OOIP) for these developed areas with performance-based estimates of ultimate oil recovery, we estimate that these developed areas will recover a minimum of approximately 10 percent of OOIP under current operations. Because the low calculated recovery factor of 10 percent is based totally on current operations, it is consequently considered to be a low-side estimate of the ultimate recovery factor for the developed area. Several factors will ultimately impact the recovery factor. Over time, significant buildup in rate and ultimate recovery has been observed in some of the older wells upon either recompleting wells to new intervals or adding perforations to expose previously undrained reservoir. To the extent that the potential to recomplete or add perforations remains in some of the newer wells drilled throughout the developed area, this incremental potential has not been quantified in our EUR calculations or accounted for in our recovery factor calculations. It is also suspected that additional waterflood potential exists, perhaps by converting additional wells to injection under the current well spacing scenario, but more likely in conjunction with an infill drilling program. Such unquantified potential would tend to increase both EUR and recovery factor.

The deep target reservoirs in the CH and PPC License Areas lie within the Middle-to-Late Triassic age Potrerillos Formation. The majority of the Potrerillos Formation tests (eight) have been on the PPC License on the structurally high fault block on the southwest side of the area with the remaining tests (five) on the CH License in the deeper portion of the area (Figure 4). The best reservoir quality in the Potrerillos has been encountered in deeper, older portions of the formation in apparent fluvial channel sandstones. Only 1 well of 13, the PPCX-2, has produced significant hydrocarbons from the

Potreriillos Formation, possibly from a natural fracture-enhanced reservoir in the far western portion of the CH and PPC License Areas. The PPCX-2 well has produced over 1 MMBBL of oil from the Potrerillos Formation, and it lies close to the main fault separating the southwestern structurally high area from the main graben containing the CH License Area. Four other wells have been drilled near the PPCX-2 well with only low rate oil or water flows encountered. Outside the area surrounding the PPCX-2 well, the Potrerillos Formation tests are widely spaced and coverage is considered inadequate to fully test the productive potential of the Potrerillos Formation in the CH and PPC License Areas.

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.

Have Result has an interest in each new well it drills with Maxipetrol S.A. under the established long-term drilling agreements. A significant portion of the undeveloped area on the CH and PPC Licenses appears to contain oil in the Barrancas and Rio Blanco Reservoirs, and some of this undeveloped area directly offsets existing development. Nevertheless, the oil estimated to exist in these undeveloped areas must be classified as contingent resources, rather than reserves. This is primarily because of (1) the requirement for ongoing approval of Chañares Herrados S.A. before each drilling location proposed by Have Result and Maxipetrol S.A. can be drilled under the agreements, and (2) the fact that a similar competing drilling agreement exists with another party. Because of these contingencies, Have Result has no proved reserves attributable to its interest in the CH and PPC License Areas, as of January 1, 2009.

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.

NSAI has estimated that, as of January 1, 2009, two classifications of resources exist to the Have Result interest in certain long-term drilling agreements with respect to the CH and PPC License Areas. These include contingent resources in the shallow reservoir group and prospective resources in the deeper reservoir group. Contingent resources are estimated to exist for a total of 383 undeveloped locations targeting the shallow reservoir group including the Jurassic age Barrancas Formation and the Late Triassic age Rio Blanco Formation. It should be understood that contingent resources are those quantities of petroleum that are estimated, as of a given date, to be potentially recoverable from known accumulations, but for which the applied project or projects are not yet considered mature enough for commercial development because of one or more contingencies. The primary contingency for these resources volumes, as stated previously, is the ongoing approval of Chañares Herrados S.A. of the available drilling locations proposed by Have Result and Maxipetrol S.A. under the long-term drilling agreements to the exclusion of other drilling

agreements or arrangements. A secondary, yet still important, contingency is the attainment of 10-year license extensions for both license areas, which currently expire in December 2016.

Prospective resources are estimated to exist for nine prospect areas targeting the deeper Potrerillos Formation of Early Triassic age. It should be understood that prospective resources are those undiscovered, highly 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 unrisks 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. It would be expected that each of these prospects would be tested with a single initial exploration well. Should any of the exploration wells be successful, it is possible that additional offset development wells would be required to deplete the estimated unrisks prospective resources volumes.

Contingent Resources – Barrancas and Rio Blanco Formations (Shallow Reservoirs)

A total of 65 wells have been completed in the Barrancas or Rio Blanco Formation on the CH and PPC License Areas with approximately 450-meter spacing. Available geologic information indicates that significant undeveloped potential exists beyond this developed area, and a substantial number of additional wells can be drilled. NSAI identified 199 undeveloped locations that could be drilled on 450-meter spacing outside the limits of current development and further identified 184 locations that could be drilled as infill wells within this newly drilled area. These locations are shown in Figure 5. NSAI then used a combination of deterministic and probabilistic methods to estimate the low estimate, best estimate, and high estimate contingent oil resources, as of January 1, 2009, attributable to Have Result's interest in these 383 undeveloped locations:

Category	Contingent Oil Resources (MMBBL)	
	<i>Gross</i>	<i>Net</i>
	<i>(100 Percent)</i>	
Low Estimate (1C)	88.6	39.8
Best Estimate (2C)	146.90	65.9
High Estimate (3C)	245.5	110.2

If all contingencies are removed in favor of Have Result, the probability that the quantities of contingent oil resources 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. The contingent resources included herein have not been adjusted for commercial risk.

The low estimate contingent resources reflect an overall recovery factor of 14.6 percent, including 9.9 percent attributable to the wells spaced at 450 meters, with an additional 4.7 percent attributable to the infill wells. This recovery factor should be attainable without substantial waterflood activity.

The best estimate contingent resources reflect an overall recovery factor of 24.2 percent, including 16.5 percent attributable to the wells spaced at 450 meters, with an additional 7.7 percent attributable to the infill wells. This recovery factor should be attainable upon instituting pattern water injection throughout the newly drilled area.

The high estimate contingent resources reflect an overall recovery factor of 40.5 percent, including 27.7 percent attributable to the wells spaced at 450 meters, with an additional 12.8 percent attributable to the infill wells. By definition, this is an aggressive recovery factor that will require future wells to be much more prolific than past history has shown. Infill drilling, instituting a pattern water injection, and maintaining vigilant reservoir management will be critical, but it will also likely be necessary to institute some form of tertiary recovery process. Microbial injection, while rarely used worldwide, has shown particular promise in the Cuyana Basin. This is one possible method of increasing recovery further, although the economics of such a project may be highly dependent on oil prices.

We understand that as long as infill wells proposed by Have Result and Maxipetrol S.A. are surrounded by other wells drilled by Have Result and Maxipetrol S.A. and that a 450-meter spacing buffer is maintained with respect to all existing wells and all future wells not drilled by Have Result and Maxipetrol S.A., then the intent of the contractual 450-meter well spacing is maintained. No infill wells have yet been proposed and there is no certainty that Chañares Herrados S.A. will approve these infill wells, although there are indications that such approval would be granted. Technical representatives of Chañares Herrados S.A. appear to understand that recovery factors are low and infill drilling may be required to maximize recovery.

Prospective Resources – Potrerillos Formation (Deep Reservoir Prospects)

Significant prospective resources potential remains in nine prospects, shown on Figure 6, targeting the Potrerillos Formation. Prospects A through I are potential structural traps for oil in the blocky, fluvial channel sandstones of the lower portion of the Potrerillos Formation. This reservoir was seen best developed and most productive in the PPCX-2 well in the PPC License Area where productivity may have been enhanced by natural fracturing.

The largest deep Potrerillos Formation prospect is A (illustrated on Figure 7). Prospect A is a potential three-way fault closure against the main, northwest-to-southeast-trending, graben-bounding fault with further fault trapping provided by large west-to-east-trending normal faults. This prospect is updip from three Potrerillos Formation deep test wells, two of which (CH-6 and CHXP-25) did not test prospective basal Potrerillos Formation sandstones because of mechanical problems, and one of which did not test the basal Potrerillos because of depth limitations of the open-hole well log. Open-hole well logs in the CH-6 and CHXP-25 wells, along with a casedhole well log in the CH-15 bis, indicate that the basal Potrerillos Formation may be productive in this area.

The lowest-risk deep Potrerillos Formation prospect is I (illustrated on Figure 8). Prospect I is adjacent to and structurally high to the PPCX-2 well, the prolific Potrerillos Formation producer, and lies along the same fault trend that may be enhancing productivity in the PPCX-2 well.

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. 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. Unrisked prospective resources are estimated ranges of recoverable oil and gas volumes assuming a petroleum discovery is made and are based on estimated ranges of undiscovered in-place volumes. The low, best, and high estimate unrisked prospective oil resources as of January 1, 2009, to the Have Result interest in certain long-term drilling agreements and the probability of geologic success (P_g) for Prospects A through I are shown in the following table:

Unrisked Prospective Oil Resources (MMBBL)							
Prospect	Low Estimate		Best Estimate		High Estimate		P_g (Decimal)
	Gross	Net	Gross	Net	Gross	Net	
	(100		(100		(100		
	Percent)		Percent)		Percent)		
A	2.5	1.1	4.7	2.1	8.6	3.9	0.16
B	1.0	0.4	1.9	0.9	3.3	1.5	0.16
C	0.4	0.2	0.7	0.3	1.1	0.5	0.18
D	1.0	0.4	1.6	0.7	2.6	1.2	0.22
E	0.3	0.1	0.6	0.3	0.9	0.4	0.11
F	0.6	0.3	1.0	0.4	1.5	0.7	0.11
G	1.0	0.4	1.6	0.7	2.6	1.2	0.08
H	0.5	0.2	0.9	0.4	1.4	0.6	0.09
I	0.3	0.1	0.5	0.2	0.8	0.4	0.26

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 for each prospect are obtained.

Risking of prospective resources in this way can provide a statistical estimate of volumes that might ultimately be recovered from a 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 prospect risk assessments, neither of which are valid conditions in this case. In any event, prospective resources volumes should not be construed as reserves or contingent resources because there is a substantial geologic risk of discovery. Likewise, prospective resources volumes should not be valued as if they were reserves or contingent resources because of this added risk.

The following is a table of the arithmetic sum of the unrisks prospective oil resources, as of January 1, 2009, to the Have Result interest in certain long-term drilling agreements with respect to nine identified Potrerillos Formation prospects estimated to exist in the CH and PPC License Areas:

Category	Unrisks Prospective Oil Resources (MMBBL)	
	Gross	Net
	(100 Percent)	
Low Estimate	7.6	3.4
Best Estimate	13.5	06.1
High Estimate	22.8	10.2

It should be noted that the arithmetic sum of multiple probability distributions is correct only when summing the mean values. The arithmetic sum of the low estimates may be conservative, and the arithmetic sum of the high estimates may be optimistic, depending on the level of interdependency among various technical input variables to each prospect analyzed, which can be difficult to estimate. Statistical summation of multiple independent prospect entities tends to result in narrowing the probability spread between the low and high estimates toward the total sum of the means relative to arithmetic summation.

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.

NSAI has conducted an extensive geological and geophysical evaluation of the well and seismic data provided by Have Result. Our assessment included interpretation of six time horizons (Top Barrancas Formation, Top Victor Claro Member [Rio Blanco Formation], Top Victor Oscuro Member [Rio Blanco Formation], Top Victor Gris Superior Member [Rio Blanco Formation], Top Cacheuta Formation, and Top Potrerillos Formation) on approximately 185 km² of good-quality 3-D seismic data; stratigraphic interpretation of 71 well logs; petrophysical analysis of 63 wells (those with sufficient quality and quantity of well log data); time structural mapping; time-to-depth conversion of time structural maps; and construction of a geocellular model for volumetric analysis. Figure 9 illustrates the geological and geophysical database available for our evaluation.

SUMMARY OF CONTRACTUAL OR LICENSE TERMS AND PRODUCTION RIGHTS – 18.09(6)(F)

A statement on the production policy.

Have Result has a 51 percent working interest in any new wells drilled under the long-term drilling agreements, with Maxipetrol S.A. having a 21 percent working interest and Chañares Herrados S.A. retaining a 28 percent working interest, subject to Have Result and Maxipetrol S.A. carrying Chañares Herrados S.A.'s portion of capital expenditures.

The CH and PPC Licenses are currently 100 percent owned by Chañares Herrados S.A. We have been provided with a series of documents and legal representations which indicate that Have Result has a right to propose, drill, and complete new wells on the two license areas and retain a 51 percent working interest in the new wells in exchange for paying its share of capital costs attributable to Chañares Herrados S.A.'s 28 percent working interest. Likewise, Maxipetrol S.A. retains a 21 percent working interest in the new wells in exchange for paying its share of capital costs attributable to Chañares Herrados S.A.'s 28 percent working interest.

The CH and PPC Licenses are subject to a 12 percent royalty payable to the Mendoza Province. This royalty is deducted from the net oil volumes of Chañares Herrados S.A., Maxipetrol S.A., and Have Result in proportion to their respective working interests. Taxes levied on the revenue attributable to these licenses include the 2 percent stamp/gross receipts tax, the approximately 1.2 percent tax on checks/bank tax, and the 21 percent value added tax. These taxes should be accounted for as deductions to revenue in economic modeling.

The series of agreements that combine to provide Have Result with its interest in new wells includes a November 14, 2007, agreement between Oxipetrol S.A., now Maxipetrol S.A., and Chañares Herrados S.A.; a November 24, 2007, agreement between Have Result and Oxipetrol S.A.; a December 19, 2008, updated agreement between Have Result and Oxipetrol S.A.; and a December 30, 2008, updated agreement between Oxipetrol S.A. and Chañares Herrados S.A. These agreements collectively have many important terms, requirements, and obligations, a full description of which is beyond the scope of this document and beyond the realm of our expertise as engineers and geoscientists. A major point of these agreements applicable to our work is that Have Result has the right to technically evaluate the two license areas and propose new wells, approval for which must be granted by Chañares Herrados S.A., after which Have Result has the obligation to drill the wells, which are then handed over to Chañares Herrados S.A. to operate based on the established fiscal terms.

For the drilling agreements to continue, with drilling rights in future years, Have Result must continue to drill at least five wells per year, two of which must be drilled to the deep Potrerillos Formation. Have Result must also continue to build onto surface facility infrastructure and drill at least one water injection well for each five new producing wells in order to maintain drilling rights for subsequent years. Approval by Chañares Herrados S.A. of each proposed well is not guaranteed under the agreements, although the agreements specify that rejection can occur only under specific conditions, which are generally technical in nature and largely controllable by Have Result. Special note should be taken regarding

the technical issue of infill wells, approval for which has yet to be tested. This special technical issue is discussed in a subsequent paragraph of this section. The drilling agreements, allowing for Have Result and Maxipetrol S.A. to propose and drill a minimum of five wells per year, are continuous so long as Have Result and Maxipetrol S.A. meet their annual contractual obligations to propose, drill, and fund the new wells for that year and there are no breaches of contract by either Have Result or Maxipetrol S.A., until expiration of the CH and PPC Licenses. A provision within the drilling agreements allows for their automatic extension if extensions to the CH and PPC Licenses are granted to Chañares Herrados S.A.

Of some concern is that Chañares Herrados S.A. signed a similar drilling agreement with PET S.A. before the set of drilling agreements was signed with Maxipetrol S.A. and Have Result, and this sets up a potential competition for drilling the undeveloped locations described herein. NSAI does not know the details of Chañares Herrados S.A.'s agreement with PET S.A.; however, a number of wells have already been drilled by PET S.A. in past years. As such, there is no guarantee that some or even a significant portion of the contingent and prospective resources identified herein might not ultimately be drilled by PET S.A. to the exclusion of Have Result and Maxipetrol S.A., or even by Chañares Herrados S.A. itself to the exclusion of Have Result. These commercial uncertainties form the primary reason that the resources identified herein for the shallow reservoirs are classified as contingent resources rather than being elevated to the reserves classification level.

While the current drilling agreements explicitly provide for 450-meter spacing between wells, we understand that this clause exists to protect from drainage between three groups of wells: (1) those drilled early by Chañares Herrados S.A. alone, (2) those drilled more recently by PET S.A. under its drilling agreement, and (3) those to be drilled by Have Result and Maxipetrol S.A. under their drilling agreements. Based on discussions with technical representatives of Chañares Herrados S.A., they appear to understand that the volumetric recovery factors being obtained in the developed areas of the field are quite low and infill drilling may be required to maximize ultimate recovery. We have been told that Chañares Herrados S.A. intends for the contractual 450-meter well spacing to apply only to spacing between wells of different groups. Therefore, Have Result and Maxipetrol S.A. could seek to develop contiguous areas that would allow them to propose and drill infill wells on 225-meter spacing as long as all surrounding wells are those drilled under the Have Result and Maxipetrol S.A. agreements such that the contractual 450-meter spacing between Have Result and Maxipetrol S.A. wells and those belonging solely to Chañares Herrados S.A. or those drilled by PET S.A. is maintained. As such, the locations identified herein honor 450-meter spacing with respect to all existing wells but presume that all remaining wells are drilled under the Have Result and Maxipetrol S.A. agreements such that infill drilling between those wells can be performed. Chañares Herrados S.A.'s approval of infill wells under the drilling agreements has yet to be tested. We understand that the drilling agreements protect Have Result and Maxipetrol S.A. insofar as Chañares Herrados S.A.'s obligations to (1) refrain from terminating, at its discretion, the agreements other than pursuant to specific terms in the agreements, and (2) refrain from transferring, encumbering, assigning, or adversely affecting the leases over the drilling areas.

The CH and PPC Licenses have a current expiration date of December 2016, although we understand that the owner of the licenses, Chañares Herrados S.A., is in the process of seeking a 10-year extension of the licenses. This extension is an important contingency in recovering the resources estimated herein.

**ANTICIPATED FUTURE EXPLORATION, DEVELOPMENT, AND PRODUCTION
ACTIVITY – 18.09(6)(G)**

An indication of the progress of actual working.

We understand that Have Result and Maxipetrol S.A. have obtained approval from Chañares Herrados S.A. for five wells to be drilled under the drilling agreements in 2009. These will be the first wells drilled under the agreements, and drilling operations are scheduled to commence before the fall of 2009 with two drilling rigs carrying out the 2009 operations. Given the large number of potential locations, Have Result and Maxipetrol S.A. have initiated discussions with Chañares Herrados S.A. for a four-year increase in the number of wells drilled per year under the agreements, increasing the maximum to as many as 40 wells per year with a minimum of 10 wells per year. This accelerated drilling schedule will require additional drilling rigs.

FIGURES

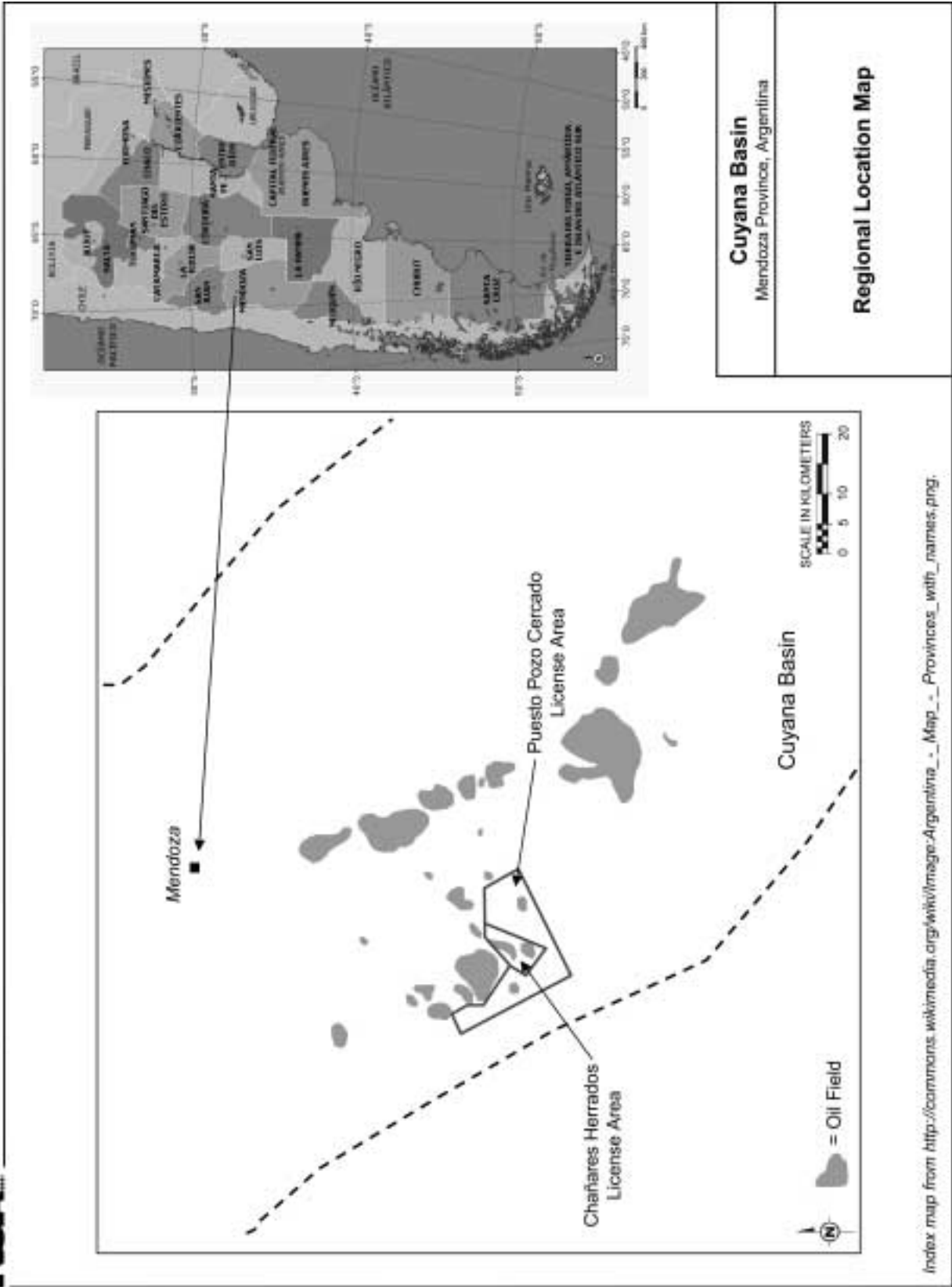
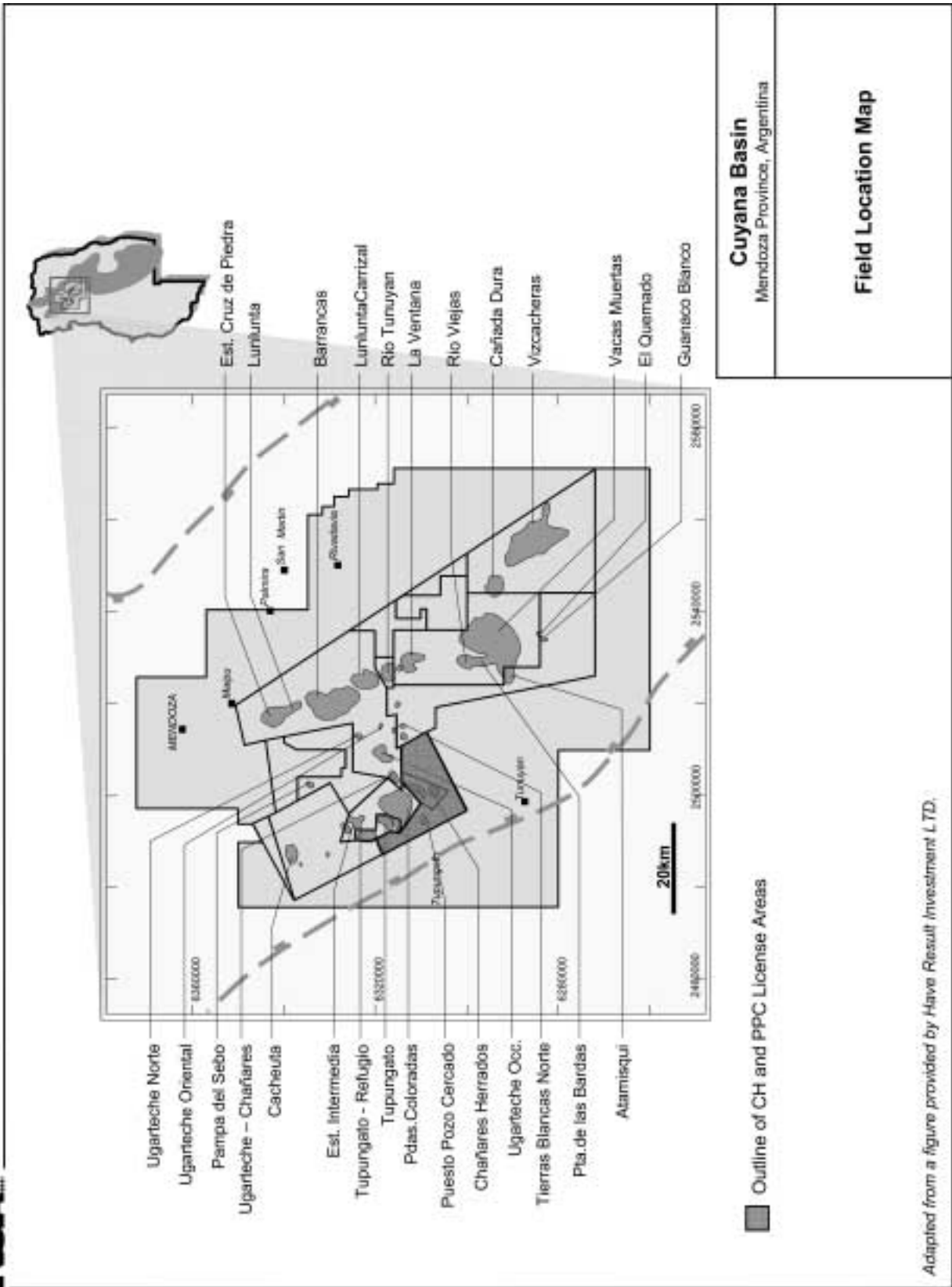


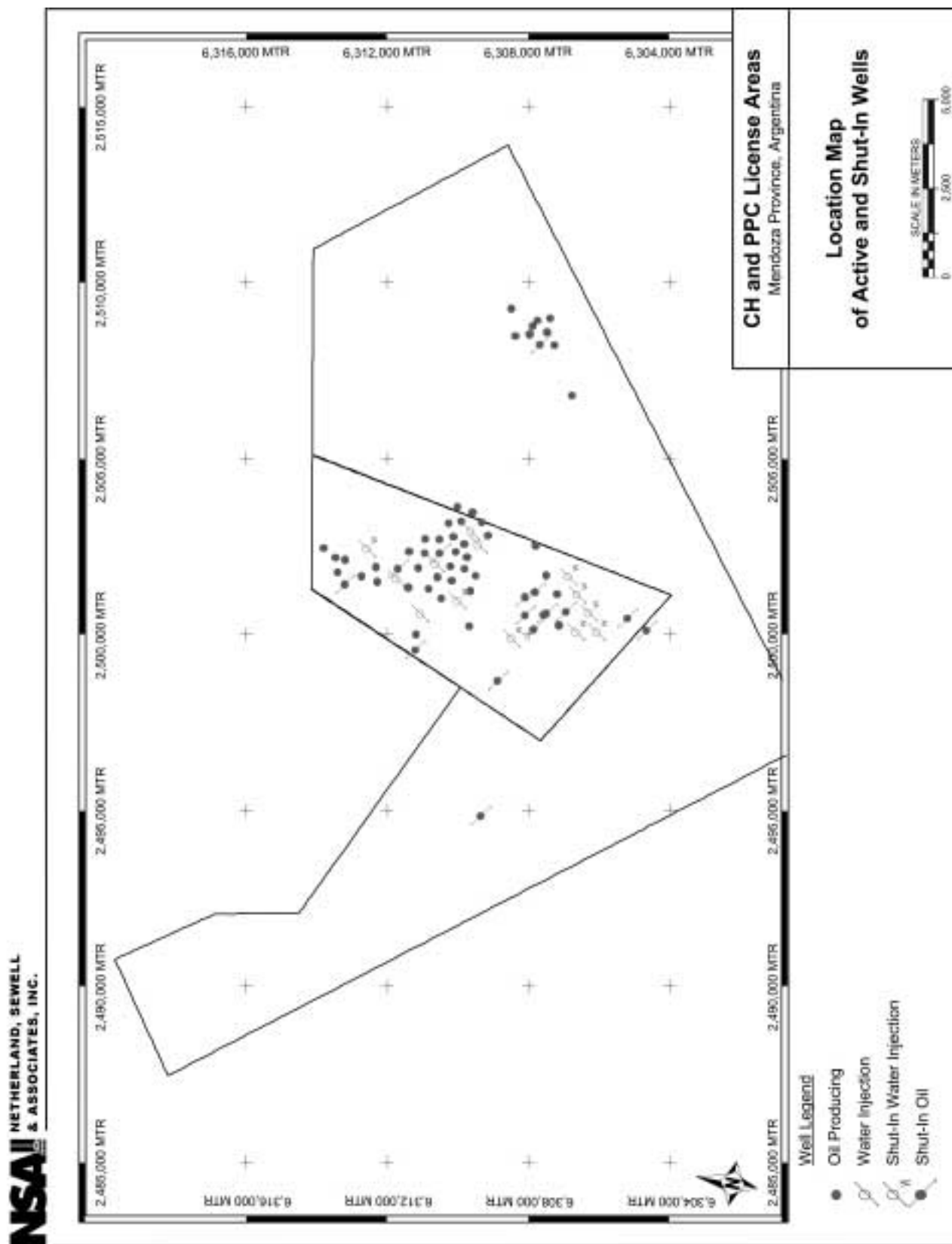
Figure 1



Adapted from a figure provided by Have Result Investment LTD.

All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

Figure 2



All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

Figure 3

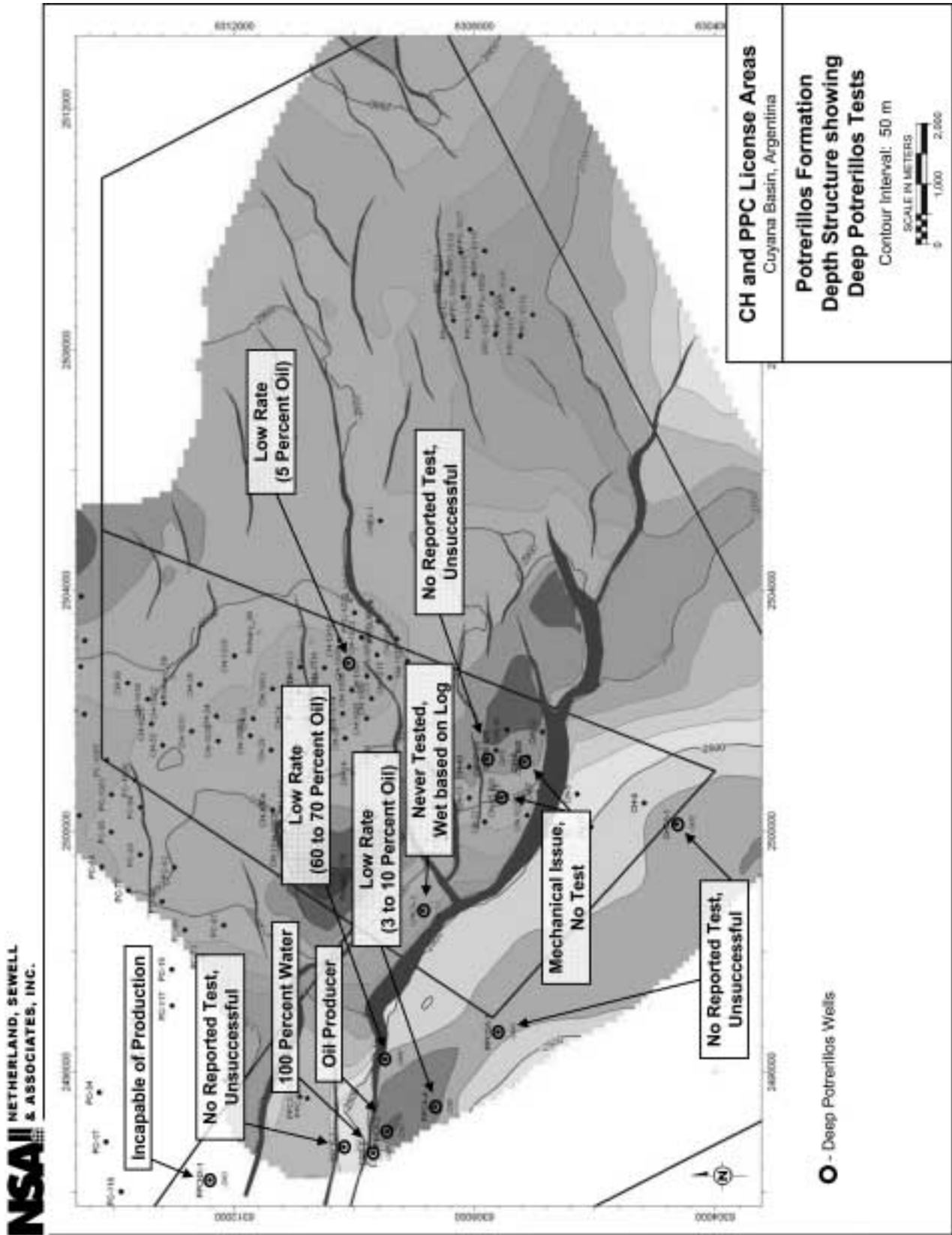
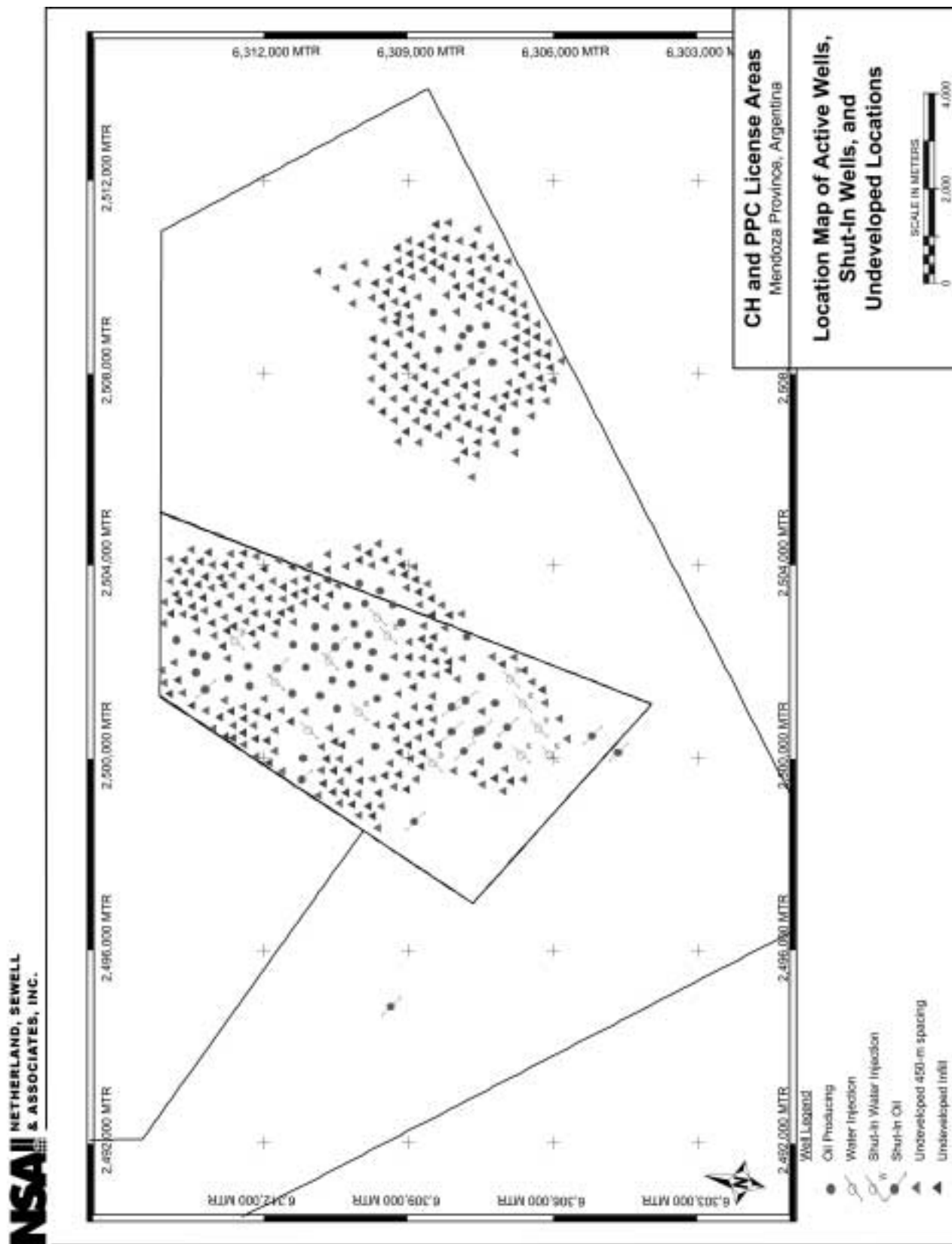


Figure 4

All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.



All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

Figure 5

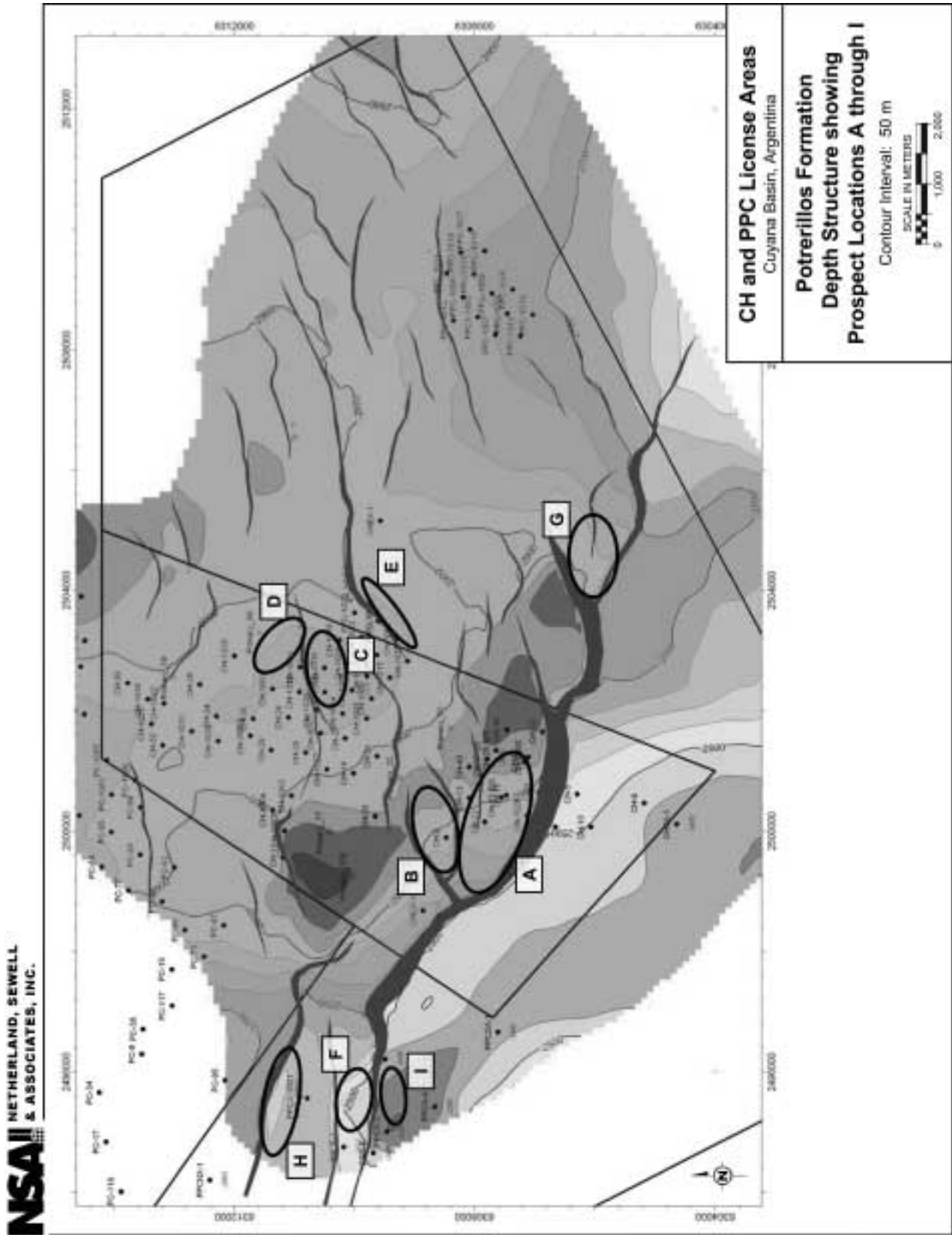


Figure 6

All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

Prospect A Summary
Charlaes Herrados License Area
Cuyana Basin, Argentina

- 3,800 m test, primary objective in Triassic Potrerillos sandstones
- Structural trap, downthrown side of major basin-bounding fault
- Area of closure is 1.25 km²
- Secondary objectives in Jurassic Barrancas and Upper Triassic Rio Blanco Formations
- Prospective resources; low estimate - 1.2, best estimate - 2.3, high estimate - 4.0 MMBBL of oil
- $P_{10} = 0.10$ (main uncertainties are trap integrity and reservoir effectiveness)

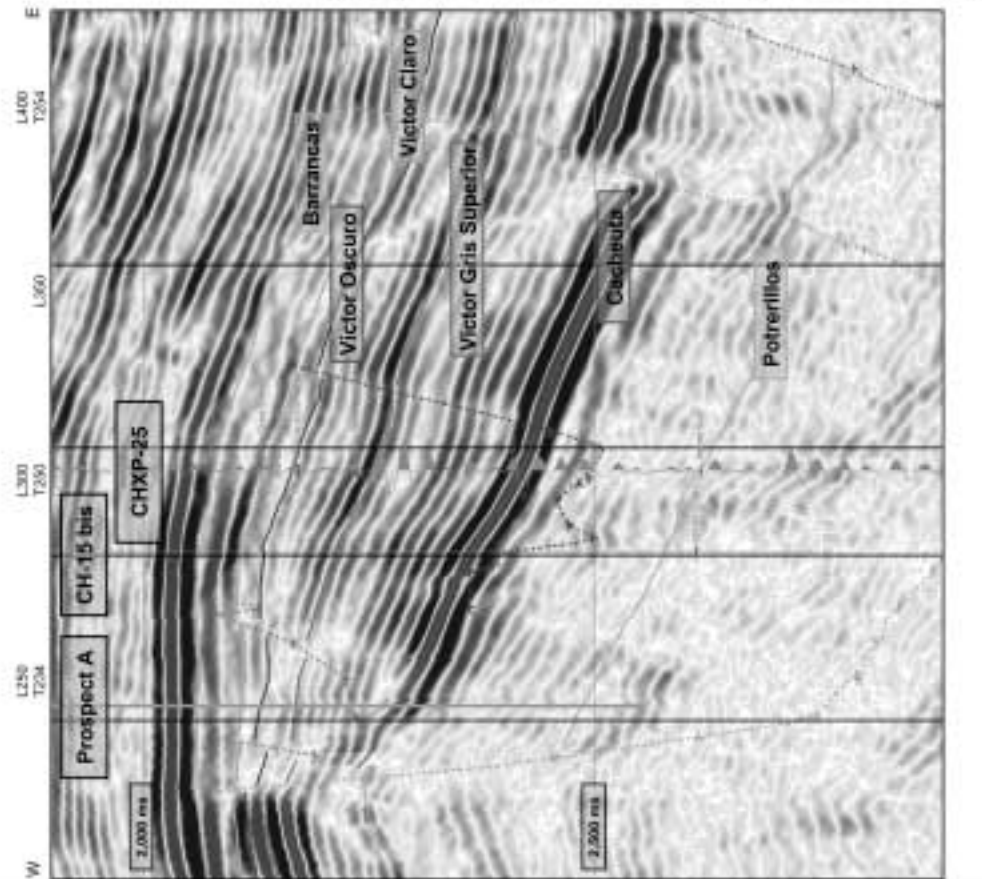


Figure 7

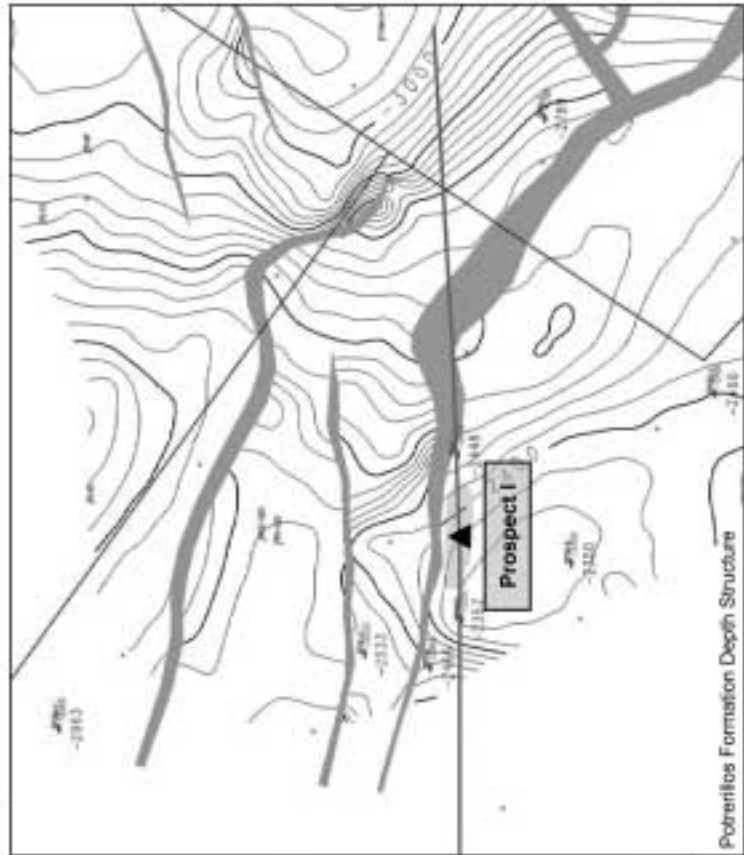
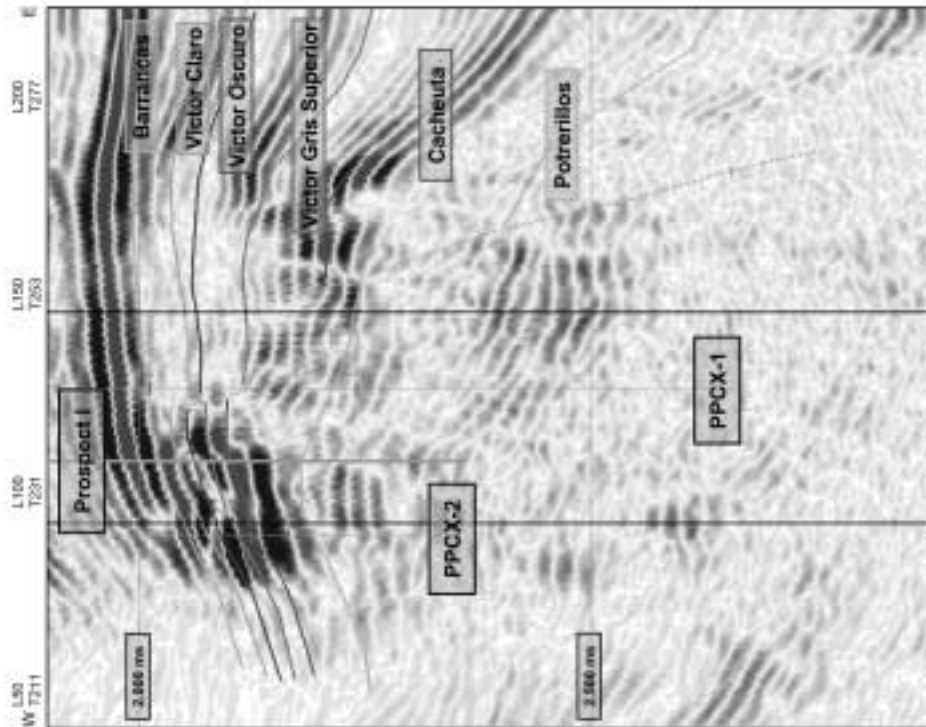
All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

Prospect I Summary

Puesto Pozo Cercado License Area

Cuyana Basin, Argentina

- 3,600 m test, primary objective in Triassic Potrerillos sandstones
- Structural-stratigraphic trap adjacent to productive PPCX-2 well
- Area of closure is 0.22 km²
- Limited secondary objectives in Jurassic Barrancas and Upper Triassic Rio Blanco Formations because of thinning
- Prospective resources: low estimate - 0.2, best estimate - 0.4, high estimate - 0.7 MMBBL of oil
- $P_g = 0.20$ (main uncertainties are trap integrity and reservoir effectiveness)



Potrerillos Formation Depth Structure

All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

Figure 8



Figure 9

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, opinion expressed in this circular have been arrived at after due and careful consideration and 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:

<i>Authorised:</i>		<i>HK\$</i>
<u>25,000,000,000</u>	Shares	<u>250,000,000.00</u>
<i>Issued and fully paid:</i>		
<u>4,132,148,570</u>	Shares	<u>41,321,485.70</u>

The authorised and issued and fully paid up share capital of the Company upon the increase in authorised share capital of the Company, issue of the Consideration Shares, the Conversion Shares, the maximum number of Additional Conversion Shares and the new Shares which will fall to be issued upon the exercise of the Share Options will be as follows:

<i>Authorised:</i>		<i>HK\$</i>
<u>100,000,000,000</u>	Shares	<u>1,000,000,000</u>
<i>Issued and fully paid:</i>		
4,132,148,570	Shares	41,321,485.70
1,000,000,000	Consideration Shares	10,000,000.00
11,275,707,317	Conversion Shares to be allotted and issued upon full conversion of the CB	112,757,073.17
4,878,048,780	Maximum number of Additional Conversion Shares to be allotted and issued upon the conversion of the Additional CB (note 1)	48,780,487.80
181,880,000	New Shares to be issued upon the exercise in full of the Share Options (note 2)	1,818,800.00
<u>21,467,784,667</u>		<u>214,677,846.67</u>

note:

- (1) For illustration purpose only, assume the Additional CB in the principal amount of HK\$1,000,000,000 is issued to the Vendors or their nominee(s) in accordance with the terms of the Agreement, and assume the conversion of such Additional CB in full at the lowest conversion price of HK\$0.205 per Share.
- (2) As at the Latest Practicable Date, save for the 181,880,000 Share Options, there were no other outstanding convertible securities of the Company in issue.

All the Shares in issue, the Consideration Shares, the Conversion Shares, the Additional Conversion Shares and new Shares which will fall to be issued upon the exercise of the Share Options rank *pari passu* with each other in all respects, including dividends and voting rights.

DISCLOSURE OF INTERESTS

(a) Interests of Directors

- (i) As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company or any of their respective associates in any Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which are required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) contained in the Listing Rules were as follows:

Long positions in Shares and underlying Shares

Director	Number of Shares			Total interests	Approximate percentage of the issued share capital of the Company (note 3)
	Beneficial owner	Controlled corporation (note 1)	Equity derivatives (note 2)		
Wong Chi Wing, Joseph	9,000,000	1,708,146,000	24,380,000	1,741,526,000	42.15%
Chu Kwok Chi, Robert	2,000,000	–	2,000,000	4,000,000	0.10%
Leung Hong Chuen	–	–	2,380,000	2,380,000	0.06%
Poon Kwok Shin, Edmond	2,000,000	–	1,580,000	3,580,000	0.09%

Notes:

1. These Shares are held by Climax Associates Limited which is 51% owned by Rich Concept Worldwide Limited, a company wholly owned by Mr. Wong Chi Wing, Joseph, a Director and 20% by Mr. Chu Kwok Chi Robert, a Director.
2. These Shares represent the interests in share options granted to the Directors as beneficial owner under a share option scheme of the Company adopted on 6 November 2006.
3. The calculation of percentages is based on 4,132,148,570 Shares in issue as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which are required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV and the SFO (including interests or short positions which he is taken or deemed to have under such provisions of the SFO); (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

- (ii) As at the Latest Practicable Date, other than Mr. Wong Chi Wing, Joseph being a Director, a director of Climax Associates Limited which was interested in 1,708,146,000 Shares and a director of Rich Concept Worldwide Limited, which was interested in 51% of the issued share capital of Climax Associates Limited and Mr. Chu Kwok Chi, Robert, being a Director and a director of Climax Associates Limited, none of the Directors was a director or employee of a company which has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

(b) Competing interest

As at the Latest Practicable Date, as far as the Directors are aware, none of the Directors or their respective associates had any direct or indirect interest in a business which competed or was likely to compete with the business of the Group.

(c) Service contracts

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter, into service contracts with any member of the Group which does not expire or is not determinable by the relevant member of the Group within one year without payment of compensation, other than statutory compensation.

(d) Interest in assets

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Enlarged Group, or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group since 31 December 2008 (being the date to which the latest published audited consolidated financial statements of the Company were made up).

(e) Interest in contracts and arrangements

None of the Directors had material interest in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Enlarged Group.

LITIGATION

As at the Latest Practicable Date, neither the Company nor any other members of the Enlarged Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Enlarged Group.

MATERIAL CONTRACTS

The following material contracts, not being contracts entered into in the ordinary course of business of the Group, have been entered into by members of the Enlarged Group within two years immediately preceding the date of this circular:

(a) The Group

- (i) the Agreement;
- (ii) the supplemental placing agreement dated 28 July 2009 entered into between Advanced Grade Investments Limited (“Advanced Grade”), a wholly-owned subsidiary of the Company, and Emperor Securities Limited (as a supplement to the placing agreement entered into between the parties on 10 July 2009 as set out in (iii) below) pursuant to which Emperor Securities Limited agreed to place, on a best efforts basis, up to 200,000,000 shares of Vision Tech International Holdings Limited (the “Vision Tech Share(s)”) on behalf of Advanced Grade to independent placees at a price of HK\$0.42 per Vision Tech Share;

- (iii) the placing agreement dated 10 July 2009 entered into between Advanced Grade and Emperor Securities Limited pursuant to which Emperor Securities Limited agreed to place, on a best efforts basis, up to 200,000,000 Vision Tech Shares on behalf of Advanced Grade to independent placees at a price of not less than HK\$0.30 per Vision Tech Share;
- (iv) the placing agreement dated 18 June 2009 entered into between Advanced Grade and Orient Securities Limited pursuant to which Orient Securities Limited agreed to place, on a best efforts basis, 108,000,000 Vision Tech Shares on behalf of Advanced Grade to independent placees at a price of HK\$0.42 per Vision Tech Share;
- (v) the top-up subscription agreement dated 18 June 2009 entered into between Advanced Grade and Vision Tech International Holdings Limited pursuant to which Vision Tech International Holdings Limited conditionally agreed to issue and allot up to 108,000,000 new Vision Tech Shares to Advanced Grade at a price of HK\$0.42 per new Vision Tech Share;
- (vi) the placing agreement dated 27 May 2009 entered into between Advanced Grade and Emperor Securities Limited pursuant to which Emperor Securities Limited agreed to place, on a best efforts basis, 250,000,000 Vision Tech Shares on behalf of Advanced Grade to independent placee(s) at a price of HK\$0.20 per Vision Tech Share;
- (vii) the placing agreement dated 18 May 2009 entered into between Advanced Grade and Emperor Securities Limited pursuant to which Emperor Securities Limited has agreed to place, on a best efforts basis, (i) 100,000,000 Vision Tech Shares on behalf of Advanced Grade to independent placees at a price of HK\$0.115 per Vision Tech Share; and (ii) the options, which own the rights to purchase 20,000,000 Vision Tech Shares from Advanced Grade at the exercise price of HK\$0.115 per Vision Tech Share, on behalf of Advanced Grade to independent placees at the option fee of HK\$0.010 per option;
- (viii) the cooperation agreement dated 11 December 2008 (which has lapsed and been terminated on 10 March 2009) entered into between SE Metals Limited and Southstart Limited, both wholly-owned subsidiaries of the Company, the Company, Jiangtong Southern (Hongkong) Limited and 深圳江銅南方總公司 (Shenzhen Jiangtong Southern Company Limited*), pursuant to which Jiangtong Southern (Hongkong) Limited and Southstart Limited agreed to jointly manage SE Metals Limited, and through SE Metals Limited, to jointly develop the business in the overseas sourcing and import of scrap copper to the PRC;

* For identification purpose only

- (ix) the sale and purchase agreement dated 11 August 2008 entered into between EPI Metals Limited, a wholly-owned subsidiary of the Company, and Create Wealth Investments Limited and Mr. Fan Jixun, pursuant to which EPI Metals Limited has conditionally agreed to acquire, and Create Wealth Investments Limited has conditionally agreed to sell, all shares in Big Base Enterprises Limited (principal assets of which is its 9% equity interest in 清遠江銅長盈銅業有限公司 (Qingyuan JCCL EPI Copper Limited)) and the entire shareholder's loan owed by Big Base Enterprises Limited and its subsidiary to Create Wealth Investments Limited at the consideration of HK\$25.0 million; and
- (x) an extension letter dated 28 December 2007 entered into between Advanced Grade, Vision Tech and Mrs. Pei Chen Chi Kuen Delia to extend the long stop date under the conditional subscription agreement dated 18 May 2007 in relation to the issue of and subscription for a total of 750,000,000 Vision Tech Shares from 31 December 2007 to 31 March 2008.

(b) Have Result

- (i) the Assignment Agreement; and
- (ii) the UTE Agreement.

EXPERTS AND CONSENTS

The following are the experts who have given opinion contained in this circular and their qualifications:

Name	Qualification
BNS Concord CPA Limited	Certified Public Accountants
Deloitte Touche Tohmatsu	Certified Public Accountants
BMI	Independent qualified valuer
NSAI	Independent technical adviser

Each of BNS Concord CPA Limited, Deloitte Touche Tohmatsu, BMI and NSAI 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 to the issue of this circular.

As at the Latest Practicable Date, none of BNS Concord CPA Limited, Deloitte Touche Tohmatsu, BMI and NSAI was beneficially interested in the share capital of any member of the Enlarged Group, nor did any of them 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 any of them have any direct or indirect interest in any assets which were, since 31 December 2008 (being the date to which the latest published audited

consolidated financial statements of the Company 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 NSAI 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.

GENERAL

- (i) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (ii) The company secretary of the Company is Mr. Hong Kin Choy, a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.
- (iii) The English text of this circular and the accompanying form of proxy shall prevail over the Chinese text thereof.

DOCUMENTS FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours (Saturdays and public holidays excepted) at the head office and principal place of business of the Company in Hong Kong at Room 6303, 63/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong from the date of this circular until the date of the SGM:

- (i) the memorandum and bye-laws of the Company;
- (ii) the annual reports of the Company for the two years ended 31 December 2007 and 2008;
- (iii) the interim report of the Company for the six months ended 30 June 2009;
- (iv) the accountants' report on Have Result issued by BNS Concord CPA Limited, the text of which is set out in Appendix II to this circular;
- (v) the letter issued by Deloitte Touche Tohmatsu in connection with the unaudited pro forma financial information on the Enlarged Group, the text of which is set out in Appendix III to this circular;
- (vi) the valuation report on Have Result, the text of which is set out in Appendix IV to this circular;
- (vii) the technical report on the Areas, the text of which is set out in Appendix V to this circular;

- (viii) the written consents as referred to in the paragraph headed “Experts and consents” in this appendix;
- (ix) the material contracts as referred to in the paragraph headed “Material contracts” in this appendix; and
- (x) a copy of each of the circulars of the Company issued pursuant to the requirements set out in Chapters 14 and/or 14A of the Listing Rules since 31 December 2008 (being the date to which the latest published audited consolidated financial statements of the Company were made up).

NOTICE OF SGM

EPI (Holdings) Limited **長盈集團(控股)有限公司***

(Incorporated in Bermuda with limited liability)

(Stock Code: 689)

NOTICE IS HEREBY GIVEN that a special general meeting of EPI (Holdings) Limited (the “**Company**”) will be held at Room 3203, Admiralty Centre I, 18 Harcourt Road, Admiralty, Hong Kong at 10:30 a.m. on Wednesday, 28 October 2009 for the purpose of considering and, if thought fit, passing with or without modifications the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

(1) “**THAT,**

- (a) the authorised share capital of the Company be increased from HK\$250,000,000 divided into 25,000,000,000 shares of HK\$0.01 each (the “**Share(s)**”) to HK\$1,000,000,000 divided into 100,000,000,000 Shares by the creation of an additional 75,000,000,000 new Shares in the capital of the Company and that all such new Shares shall rank pari passu in all respects with the existing Shares in the capital of the Company (the “**Capital Increase**”); and
- (b) the board of directors of the Company (the “**Board**”) be and is hereby authorised to do all such acts or things and take such steps as may be necessary, expedient or desirable in connection with and for giving effect to the Capital Increase.”

(2) “**THAT,**

- (a) subject to and conditional upon passing of the resolution numbered 1 above and the Listing Committee of the Stock Exchange granting its approval to the listing of, and permission to deal in, the Consideration Shares (as defined below), the Conversion Shares (as defined below) and the Additional Conversion Shares (as defined below) and not having withdrawn or revoked such listing and permission, the sale and purchase agreement dated 19 August 2009 (the “**Agreement**”) (a copy of which, signed by the Chairman of the meeting for the purposes of identification, has been produced to the meeting marked “A”) entered into between Mission Central Limited (“**Purchaser**”), a wholly-owned subsidiary of the Company, as purchaser, City Smart International Investment Limited (“**City Smart**”) and TCL Peak Winner Investment Limited (“**TCL**”, together with City Smart, “**Vendors**”) as vendors and the Company as guarantor, the terms and conditions thereof and the transactions contemplated thereunder, including:

* For identification purpose only

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- (i) the allotment and issue of 1,000,000,000 new Shares at the issue price of HK\$0.19 each to the Vendors or their respective nominee(s) (**“Consideration Shares”**);
- (ii) the issue of the convertible notes with aggregate principal value of HK\$2,311,520,000 (the **“CB”**) by the Company to the Vendors or their respective nominee(s);
- (iii) the allotment and issue of new Shares upon the exercise of the conversion rights attaching to the CB at the initial conversion price of HK\$0.205 per Share (subject to adjustment) (the **“Conversion Shares”**);
- (iv) where applicable, the issue of the additional convertible note(s) (**“Additional CB”**) up to the aggregate principal amount of HK\$1,000 million;
- (v) where applicable, the allotment and issue of new Shares upon the exercise of the conversion rights attaching to the Additional CB, at the initial conversion price (subject to adjustment) being the average of the closing prices of a Share as quoted on the Stock Exchange for the 10 consecutive trading days immediately preceding the receipt of the Updated Technical Report referred to in the Agreement by the Purchaser or HK\$0.205 per Share, whichever is the higher (the **“Additional Conversion Shares”**);
- (vi) the issue of the promissory note(s) in the aggregate principal amount of HK\$840,000,000 by the Company to City Smart or its nominee(s) (**“Promissory Note”**); and
- (vii) all other transactions contemplated under the Agreement and the execution of the Agreement,

be and are hereby approved, confirmed and ratified; and

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- (b) the Board be and is hereby authorised to do all such acts and things and sign all such documents and to take such steps as it consider necessary or expedient or desirable in connection with or to give effect to and to implement the Agreement and the transactions contemplated thereunder including the issue of the Consideration Shares, the CB, the Conversion Shares, the Additional CB, the Additional Conversion Shares, the Promissory Note and to agree to such variation, amendment or waiver as are, in the opinion of the Board, in the interest of the Company.”

By Order of the Board,
EPI (Holdings) Limited
Wong Chi Wing, Joseph
Chairman

Hong Kong, 9 October 2009

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

Principal place of business in Hong Kong:
Room 6303, 63/F
Central Plaza
18 Harbour Road
Wanchai
Hong Kong

Notes:

- (1) A shareholder entitled to attend and vote at the meeting may appoint one or more than one proxy to attend and to vote instead of him. A proxy need not be a shareholder of the Company.
- (2) In the case of joint holders of any share, any one of such persons may vote at the said meeting, either personally or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such joint holders is present at the said meeting, personally or by proxy, that one of the said persons so present whose name stands first on the register of members in respect of such share shall alone be entitled to vote in respect thereof.
- (3) In order to be valid, the form of proxy together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority, must be deposited at the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjourned meeting at which the person named in the instrument proposes to vote. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person should they so wish.