THE CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Orient Resources Group Company Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of Orient Resources Group Company Limited.

ORIENT RESOURCES GROUP COMPANY LIMITED

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

(Stock Code: 467)

MAJOR AND CONNECTED TRANSACTION ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF AND SHAREHOLDER'S LOAN OWED BY UNITED PETROLEUM & NATURAL GAS INVESTMENTS LIMITED

Financial Adviser

BOCI Asia Limited

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

Hercules

Hercules Capital Limited

A letter from the Independent Board Committee (as defined in this circular) containing its recommendations in respect of, among other things, the Acquisition (as defined in this circular) to the Independent Shareholders (as defined in this circular) is set out on page 25 of this circular. A letter from Hercules Capital Limited, the independent financial adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 26 to 43 of this circular.

A notice convening the SGM (as defined in this circular) to be held at Meeting Room, Island Pacific Hotel, 152 Connaught Road West, Hong Kong, on Wednesday, 3 October 2007 at 3:00 p.m. is set out on pages 175 to 176 of this circular. Whether or not you are able to attend the SGM, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Hong Kong branch share registrars and transfer office of the Company, Secretaries Limited, 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 adjourned meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting should you so wish.

17 September 2007

CONTENTS

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

"Acquisition"	the acquisition by the Company of the entire issued share capital of and shareholder's loan owing by United Petroleum
"Acquisition Agreement"	the conditional sale and purchase agreement dated 8 August 2007 entered into between the Company and the Vendors for the acquisition of the entire issued share capital of and shareholder's loan owing by United Petroleum
"Announcement"	the Company's announcement dated 15 August 2007 regarding the Acquisition and the Placing
"associates"	has the same meaning as ascribed to it under the Listing Rules
"Board"	the board of Directors
"Business Day"	means a day other than a Saturday and Sunday on which banks are open for commercial business in Hong Kong
"BVI"	the British Virgin Islands
"Company"	Orient Resources Group Company Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability and the Shares of which are listed on the Stock Exchange
"Completion"	completion of the Acquisition
"Completion Audit Date"	the Completion Date
"Completion Date"	the fifth Business Day after fulfillment of the conditions precedent or such other date as the parties to the Acquisition Agreement may agree
"Connected Person"	has the same meaning as ascribed to it under the Listing Rules
"Consideration"	HK$7,288,644,294, (subject to the adjustment in relation to the total amount of shareholder's loan outstanding as at Completion), being the consideration for the Acquisition under the Acquisition Agreement
"Consideration Shares"	such number of shares to be issued at HK$1.61 per Share to the Vendors as the consideration for the Acquisition

"Controlling Shareholder"	has the same meaning as ascribed to it under the Listing Rules
"Director(s)"	director(s) of the Company
"Enlarged Group"	the Group as enlarged immediately after the Completion, comprising the Group and United Petroleum
"EOR Contract"	the Petroleum Contract for Enhancing Oil Recovery in Gaosheng Block, Bohai Bay Basin of the PRC between China National Petroleum Corporation and United Petroleum entered into on 15 September 2006 and includes any supplemental contracts relating thereto
"Group"	the Company and its subsidiaries
"He Fu"	He Fu International Limited, a company incorporated in the BVI with limited liability on 18 August 1997 and wholly-owned by Mr. Zhang, who is also the Controlling Shareholder and an executive Director of the Company
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	an independent committee of the Board comprising Mr. San Fung, Mr. Chau Siu Wai and Mr. Zhu Chengwu all being independent non-executive Directors, established for the purpose of reviewing the transaction contemplated under the Acquisition Agreement
"Independent Financial Adviser"	Hercules Capital Limited, a licensed corporation under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) permitted to engage in type 6 of the regulated activities under the Securities and Futures Ordinance, an independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the Acquisition
"Independent Shareholders"	Shareholders other than He Fu and its associates
"Independent Technical Expert"	Gaffney, Cline & Associates (Consultants) Pte Ltd
"Independent Third Party"	person(s) or company(ies) which, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, is or are third party/parties independent of the Company and connected person of the Company

"Independent Valuer"	BMI Appraisals Limited, independent chartered surveyors and professional valuers
"Last Trading Date"	7 August 2007, being the last trading day prior to the suspension of trading in the Shares before the date of the Announcement
"Latest Practicable Date"	13 September 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	31 December 2007 or such other date as the parties to the Acquisition Agreement may agree as stated in the Acquisition Agreement
"Mr. Zhang"	Mr. Zhang Hongwei, the Controlling Shareholder and an executive Director of the Company beneficially owning approximately 74.58% equity interest in the Company
"Placing"	the placing of Placing Shares pursuant to the terms of the Placing Agreement
"Placing Agent"	BOCI Asia Limited, a licensed corporation for type 1 (dealing in the securities), type 2 (dealing in future contracts) and type 4 (advising on securities) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Placing Agreement"	the placing agreement dated 8 August 2007 entered into between the Company and the Placing Agent in relation to the Placing
"Placing Price"	HK$1.61 per Placing Share
"Placing Shares"	an aggregate of no more than 1,374,000,000 new Shares to be placed, through the Placing Agent on a best effort basis, by the Company pursuant to the terms of the Placing Agreement
"PRC"	The People's Republic of China

"SGM"	a special general meeting of the Company to be held to consider the ordinary resolution to be proposed to approve, among other things, the Acquisition Agreement and the transactions contemplated thereby, including the Consideration, the issue and the issue price of Consideration Shares
"Share(s)"	ordinary share(s) of HK$0.01 each in the issued share capital of the Company
"Shareholder(s)"	holder(s) of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supplemental Agreement"	the supplemental agreement dated 14 September 2007 entered into between the parties to the Acquisition Agreement
"United Petroleum"	United Petroleum & Natural Gas Investments Limited, a company incorporated in the BVI with limited liability on 15 March 2006
"Vendors"	United Energy Holdings Limited, United Petroleum & Natural Gas Holdings Limited and Kowin Limited
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"US$"	United States dollar, the lawful currency of the United States of America

ORIENT RESOURCES GROUP COMPANY LIMITED

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

(Stock Code: 467)

Executive Directors:
Zhang Hongwei *(Chairman)*
Zhu Jun
Zhang Meiying

Independent non-executive Directors:
Chau Siu Wai
San Fung
Zhu Chengwu

Registered office:
Clarendon House
2 Church Street
Hamilton HM11 Bermuda

Principal place of business in Hong Kong:
Unit 2112
Two Pacific Place
88 Queensway
Hong Kong

17 September 2007

To the Shareholders

Dear Sir and Madam,

MAJOR AND CONNECTED TRANSACTION ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF AND SHAREHOLDER'S LOAN OWED BY UNITED PETROLEUM & NATURAL GAS INVESTMENTS LIMITED

INTRODUCTION

The Company announced in the Announcement that, on 8 August 2007, the Company (as purchaser) entered into the Acquisition Agreement with the Vendors pursuant to which the Company has conditionally agreed to acquire the entire issued share capital of, and shareholder's loan owing by United Petroleum from the Vendors at an aggregate consideration of HK$7,288,644,294 (subject to the adjustment in relation to the total amount of shareholder's loan outstanding as at Completion). The Consideration will be satisfied at Completion by way of the allotment and issue of 4,527,108,257 Consideration Shares (subject to the adjustment in relation to the total amount of shareholder's loan outstanding as at Completion) at an issue price of HK$1.61 per Share to the Vendors and/or its nominee(s). The Consideration has been arrived at after arm's length negotiation between the Company and the Vendors with reference to the preliminary valuation estimated of the entire issued share capital of United Petroleum by the Independent Valuer.

Further, on 14 September 2007, the Company entered into the Supplemental Agreement pursuant to which one of the conditions precedent, namely that the completion of the Acquisition Agreement shall now be conditional on the Placing Agreement having been completed to the extent that the public float requirement under Rule 8.08 of the Listing Rules is thereby fulfilled by the Company simultaneously with the completion of the Acquisition Agreement.

United Petroleum is an investment holding company principally investing in the oil business and holds certain participating interests in an oilfield project in Bohai Bay Basin in the PRC. The Acquisition constitutes a major transaction for the Company under the Listing Rules. As two of the Vendors are wholly-owned by Mr. Zhang, the Controlling Shareholder and an executive Director of the Company, the Acquisition will also constitute a connected transaction for the Company under the Listing Rules and will be subject to, and therefore conditional on, among other things, the approval by the Independent Shareholders by poll at the SGM. He Fu and its associates will abstain from voting in relation to the ordinary resolution to be put forward to the Independent Shareholders at the SGM for the purpose of considering, and if thought fit, approving the Acquisition Agreement and the transactions contemplated thereby. The Directors consider the Acquisition is in the interests of the Company and the Shareholders and the terms of the Agreement are fair and reasonable so far as the Company and the Shareholders as a whole are concerned.

On 8 August 2007, the Company and the Placing Agent entered into the Placing Agreement pursuant to which the Placing Agent has conditionally agreed to place, on a best effort basis, a total of 1,374,000,000 Placing Shares at the Placing Price to not less than six independent individual, corporate and/or institutional placees. The Acquisition and the Placing are inter-conditional.

The Placing Shares represent about 19.98% of the existing issued share capital of the Company of 6,875,983,375 Shares and about 10.75% of the issued share capital of the Company of 12,777,091,632 Shares as enlarged by issue of the Consideration Shares (prior to the adjustment in relation to the total amount of shareholder's loan outstanding as at Completion) and the Placing Shares.

The Placing Price represents (i) a discount of approximately 8.52% to the closing price of HK$1.76 per Share as quoted on the Stock Exchange on the Last Trading Date; and (ii) a discount of approximately 17% to the average closing price per Share of about HK$1.94 as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Date.

The purpose of the Placing is to maintain the public float of the Company after the issue of the Consideration Shares pursuant to Rule 8.08 of the Listing Rules and to raise new capital for the development of the oil business proposed to be acquired by the Company. The net proceeds from the Placing of 1,374,000,000 Placing Shares are estimated to be approximately HK$2,146 million. The Board intends to apply as to HK$2.1 billion to finance the development of oil project and the remaining balance for working capital of the Company.

The Independent Board Committee has been formed to advise the Independent Shareholders in relation to the Acquisition and the transactions contemplated therein. Mr. Chau Siu Wai, Mr. San Fung and Mr. Zhu Chengwu, being the independent non-executive Directors, have been appointed to constitute the Independent Board Committee to consider the Acquisition and the transactions contemplated thereunder.

Hercules Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether or not the terms of the Acquisition Agreement are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole, and whether the Acquisition Agreement is on normal commercial terms and in the ordinary and usual course of business of the Group.

The purpose of this circular is:

(a) to provide you with details of the Acquisition;

(b) to provide you with details of the business of United Petroleum;

(d) to set out the recommendations of the Independent Board Committee in respect of the terms of the Acquisition;

(e) to set out the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Acquisition; and

(f) to give you notice of the SGM to consider and if thought fit, to approve the Acquisition and the transactions contemplated thereby.

Shareholders should be aware that the Acquisition is conditional upon a number of conditions precedent as set out in the paragraph headed "Conditions precedent" below and the Acquisition may or may not proceed.

THE ACQUISITION AGREEMENT (as amended by the Supplemental Agreement)

Date

8 August 2007

Parties

Vendors : 1. United Energy Holdings Limited, an investment holding company incorporated in the BVI with limited liability on 15 March 2006 and wholly-owned by Mr. Zhang, which holds 34% of the share capital of United Petroleum at an original subscription fee to incorporation of HK$132,600

2. United Petroleum & Natural Gas Holdings Limited, an investment holding company incorporated in the BVI with limited liability on 16 March 2006 and wholly-owned by Mr. Zhang, which holds 51% of the share capital of United Petroleum at an original subscription fee to incorporation of HK$198,900

3. Kowin Limited, a company incorporated in the BVI with limited liability on 15 October 2004 and beneficially owned by Ms. Sun Kin and Mr. Li Changhe (both are Independent Third Parties), which holds 15% of the share capital of United Petroleum

Warrantors : Mr. Zhang, Ms. Sun Kin and Mr. Li Changhe

Purchaser : The Company

Kowin Limited and its associates has no shareholding interests in the Company as at the Latest Practicable Date.

Subject matter of the Acquisition

- The entire issued share capital of United Petroleum;
- The shareholder's loan in the amount of HK$268,644,294 owing by United Petroleum to United Energy Holdings Limited as at the date of the Acquisition Agreement.

Consideration

The total consideration for the Acquisition is HK$7,288,644,294 (subject to the adjustment in relation to the total amount of shareholder's loan outstanding as at Completion, which was amounted to approximately HK$268,644,294 as at the date of the Acquisition Agreement). The Consideration will be satisfied by the Company at the Completion Date by way of issue of the 4,527,108,257 Consideration Shares (subject to the adjustment in relation to the total amount of shareholder's loan outstanding as at Completion) to the Vendors and/or their nominees. The 4,527,108,257 Consideration Shares (prior to the adjustment in relation to the total amount of shareholder's loan outstanding as at Completion) represent approximately 65.84% of the issued share capital of the Company prior to the issue of such number of Consideration Shares and approximately 35.43% of the issued share capital of the Company as enlarged by such number of Consideration Shares and the Placing Shares.

According to the Acquisition Agreement, it is agreed that prior to Completion, the amount of outstanding shareholder's loan owed by United Petroleum will not increase by an amount in excess of the equivalent of RMB110,880,000 up to and including 31 October 2007 and in any event only if reasonably necessary for the purpose of performing United Petroleum's obligations under the EOR Contract (as defined below).

The Consideration has been arrived at after arm's length negotiation between the Company and the Vendors with reference to the preliminary valuation of the entire issued share capital of United Petroleum estimated at HK$7,800,000,000 in July 2007 by the Independent Valuer, which valuation is subsequently finalized at HK$8,180,000,000 by the Independent Valuer as set out in the valuation report. For details, please refer to Appendix IV to this circular.

The Consideration Shares will be issued to the Vendors and/or their nominees at a price of HK$1.61 per Share. The issue price of the Consideration Shares, which is equivalent to the Placing Price, has been determined based on an arm's length negotiations between the Company and the Vendors. The number of Consideration Shares (subject to the adjustment in relation to the total amount of shareholder's loan outstanding as at Completion) to be issued to each of the Vendors are as follows:

Vendors	**Consideration Shares**
United Energy Holdings Limited	(i) For interests in United Petroleum: 1,482,484,473 (ii) For the shareholder's loan (based on the amount outstanding of HK$268,644,294 as at the date of the Acquisition Agreement): 166,859,809 Total: 1,649,344,282
United Petroleum & Natural Gas Holdings Limited	2,223,726,708
Kowin Limited	654,037,267
Total	4,527,108,257

Through the Acquisition, the Group will be able to diversify its current businesses into the oil business which the Directors believe holds prospects. The payment of the Consideration will be by way of issue of the Consideration Shares and hence will not strain the Group's liquidity. The price of the Consideration Shares is equivalent to the Placing Price which is determined with reference to the market price of the Shares at the time when the relevant agreements were entered into. Based on the above reasons, the Directors consider that the terms of the Acquisition, including the Consideration and the issue and the issue price of the Consideration Shares, are fair and reasonable so far as the Company and the Shareholders as a whole are concerned.

The Consideration Shares will rank pari passu with the existing issued Shares and the Placing Shares including the right to receive in full all dividends and other distributions declared after the date of allotment of the Consideration Shares. The Acquisition and the issue of the Consideration Shares are subject to approval by the Independent Shareholders at the SGM by poll. The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares on the Stock Exchange.

Conditions precedent

Completion of the Acquisition Agreement is subject to the fulfillment of the following conditions:

1. the passing of an ordinary resolution by the Independent Shareholders by poll at the SGM to approve: (i) the Acquisition Agreement and the transactions contemplated by the Acquisition Agreement as required by the Listing Rules and (ii) the allotment and issue of the Consideration Shares to the Vendors;

2. the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Consideration Shares and such listing and permission not subsequently being revoked or amended;

3. if required, the relevant authorities in the PRC approving the transactions contemplated by the Acquisition Agreement;

4. if required, the Bermuda Monetary Authority approving the issue of the Consideration Shares;

5. the valuation of United Petroleum to be valued by an independent valuer shall not be less than HK$7,800,000,000;

6. the receipt by the Company of a legal opinion issued by a PRC law firm acceptable to the Company and in a form reasonably acceptable to the Company, in its sole discretion, which confirms that all licences, permits and approvals required under PRC laws to be held by United Petroleum that are relevant to the business of United Petroleum are valid and subsisting and will not be invalidated by the transactions as contemplated by the Acquisition Agreement and such other issues as may be required by the Company;

7. the Company conducting a due diligence review of and being satisfied at its absolute discretion, with the business, assets, financial position and prospects of United Petroleum;

8. the obtaining by the parties to the Acquisition Agreement, to the Company's satisfaction, of all necessary consents, authorizations or other approvals of any kind in connection with the entering into and performance by the parties of the terms of the Acquisition Agreement which may be required by any regulatory authority, any relevant governmental agencies or other third parties;

9. all the conditions precedent as set out in the Placing Agreement (save for the condition in relation to completion of the Acquisition) being fulfilled or waived (as the case may be); and

10. the Placing Agreement having been completed to the extent that the public float requirement under Rule 8.08 of the Listing Rules is thereby fulfilled by the Company in accordance with its terms simultaneously with the completion of the Acquisition Agreement.

If any of the conditions is not fulfilled or waived by the Company (other than conditions 1, 2, and 10 which cannot be waived) before 5:00 p.m. on the Long Stop Date, being 31 December 2007 or such other date as the parties to the Acquisition Agreement may agree in writing, neither the Vendors nor the Company shall be obliged to complete the Acquisition under the Acquisition Agreement.

Major and connected transaction

The Acquisition constitutes a major transaction for the Company under the Listing Rules. As two of the Vendors are wholly-owned by Mr. Zhang, the Controlling Shareholder and an executive Director of the Company, the Acquisition will also constitute a connected transaction for the Company under the Listing Rules and will be subject to, and conditional on, among other things, the approval of the Independent Shareholders by poll at the SGM. Accordingly, the Independent Board Committee has been established to advise the Independent Shareholders and the Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders on the Acquisition Agreement and the transactions contemplated thereunder.

PLACING

Date of Placing Agreement

8 August 2007

Placing Agent

BOCI Asia Limited, an Independent Third Party

The Placing Agent has conditionally agreed with the Company to place, on a best-effort basis, to not less than six independent individual, corporate and/or institutional placees for the Placing Shares. The Placing Agreement was arrived at after arm's length negotiations between the Company and the Placing Agent.

To the best of the Directors' knowledge, information and belief made all reasonable enquiries, the Placing Agent and its ultimate beneficial owners are independent third parties of the Company and are not connected persons of the Company.

Placces

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Placees are independent individual, corporate and/or institutional investors, and who and whose ultimate beneficial owners are not connected person(s) of the Company and are Independent Third Parties of and not connected with the Company, connected persons of the Company and any of the directors, chief executive or substantial shareholder(s) of the Company or any of its subsidiaries or their respective associates (as defined in the Listing Rules). None of the Placees will become substantial shareholders (as defined in the Listing Rules) of the Company as a result of the Placing.

Placing Shares

The Placing Shares represent (i) approximately 19.98% of the existing issued share capital of the Company of 6,875,983,375 Shares as at the date of the Announcement; and (ii) approximately 10.75% of the issued share capital of the Company of 12,777,091,632 Shares as enlarged by the issue of the Consideration Shares (prior to the adjustment in relation to the total amount of shareholder's loan outstanding as at Completion) and the Placing Shares.

The Placing Shares will rank, upon issue, *pari passu* in all respects with the Shares in issue on the date of the allotment and issue of the Placing Shares.

Placing Price

The Placing Price represents (i) a discount of approximately 8.52% to the closing price of HK$1.76 per Share as quoted on the Stock Exchange on the Last Trading Date; and (ii) a discount of approximately 17% to the average closing price per Share of about HK$1.94 as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Date. The issue price of the Consideration Shares is equivalent to the Placing Price.

The Placing Price was negotiated on an arm's length basis between the Company and the Placing Agent with reference to, among other things, the price of the Consideration Shares. The Board considers that the terms of the Placing Agreement to be fair and reasonable and in the interest of the Company and its Shareholders as a whole. The net Placing Price per Placing Shares is estimated to be not less than HK$1.56.

Conditions Precedent of the Placing Agreement

Completion of the Placing Agreement is conditional upon, among others:

1. the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Placing Shares;

2. if required, the Company obtaining all consents and approvals from the relevant authorities in respect of the transactions contemplated under the Placing Agreement;

3. the Acquisition Agreement having become unconditional (except for the condition in relation to completion of the Placing Agreement); and

4. Completion of the Acquisition in accordance with the terms of the Acquisition Agreement simultaneously with the completion of the Placing Agreement.

If the above conditions precedent of the Placing Agreement are not fulfilled on or prior to 31 December 2007 or such other date as the parties to the Placing Agreement may agree in writing, the Placing Agreement shall terminate and neither of the parties thereto shall have any claim against the other for costs, damages, compensation or otherwise save as provided in the Placing Agreement. In the event that the Placing Agreement is terminated, a further accouncement will be issued by the Company.

Completion of the Placing

The completion of the Placing Agreement is expected to take place on or before the fifth Business Day upon the fulfillment of the conditions precedent to the Placing Agreement or such other time or date as the Company and the Placing Agent shall agree in writing.

General mandate

The Placing Shares will be issued under the general mandate to allot, issue and deal with up to 1,375,196,675 Shares granted to the Directors by the Shareholders at the annual general meeting held on 18 August 2006.

Use of proceeds

The net proceeds from the Placing of the 1,374,000,000 Placing Shares are estimated to be approximately HK$2,146 million. The Board intends to apply as to HK$2.1 billion to finance the development of oil project and the remaining balance for working capital of the Company.

Reason for the Placing

The purpose of the Placing is to maintain the public float of the Company after the issue of the Consideration Shares pursuant to Rule 8.08 of the Listing Rules and raise new capital for development of the oil business.

The Directors have considered different means to maintain the public float of the Company. As compared to an open offer or rights issue to the existing public Shareholders, the Directors believe that the Placing allows the maintenance of the public float of the Company in a shorter time frame. In considering placing of existing Shares versus new Shares, the Directors are of the view that the placing of new Shares can raise capital for the Company to finance the development of the oil project of United Petroleum whilst at the same time broadens the shareholder and capital bases of the Company.

Despite the Placing may cause shareholding dilution effect on the existing public Shareholders and the Placing Price represents a discount of about 8.52% as mentioned above, the Directors believe that the Placing is the best means among other options to restore the public float of the Company and to raise capital to finance the development of the oil project of United Petroleum. The Board is also of the view that the terms of the Placing Agreement are fair and reasonable and therefore are in the interest of the Company and its Shareholders as a whole.

SHAREHOLDING STRUCTURE PRIOR TO AND AFTER COMPLETION

The following table sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after the allotment and issue of Consideration Shares (subject to the adjustment in relation to the total amount of shareholder's loan outstanding as at Completion) and the issue of the minimum Placing Shares to maintain the public float; and (iii) immediately after the allotment and issue of the Consideration Shares (subject to the adjustment in relation to the total amount of shareholder's loan outstanding as at Completion) and Placing Shares:

	As at the Latest Practicable Date		**Immediately after the allotment and issue of Consideration Shares (subject to the adjustment in relation to the total amount of shareholder's loan outstanding as at Completion) and the issue of the minimum Placing Shares to maintain the public float**		**Immediately after the allotment and issue of Consideration Shares (subject to the adjustment in relation to the total amount of shareholder's loan outstanding as at Completion) and Placing Shares**	
	Number of Shares	*%*	*Number of Shares*	*%*	*Number of Shares*	*%*
He Fu *(Note 1)*	5,128,169,125	74.58	5,128,169,125	42.72	5,128,169,125	40.14
United Energy Holdings Limited *(Note 1)*			1,649,344,282	13.74	1,649,344,282	12.91
United Petroleum & Natural Gas Holdings Limited *(Note 1)*	—	—	2,223,726,708	18.53	2,223,726,708	17.40
Zhu Jun *(Note 2)*	1,443,000	0.02	1,443,000	0.01	1,443,000	0.01
Existing public Shareholders	1,746,371,250	25.40	1,746,371,250	14.55	1,746,371,250	13.67
Kowin Limited	—	—	654,037,267	5.45	654,037,267	5.12
Holders of Placing Shares	–	—	600,485,855	5.00	1,374,000,000	10.75
Total	6,875,983,375	100.00	12,003,577,487	100.00	12,777,091,632	100.00
Total Shares in public hands	1,746,371,250	25.40	3,000,894,372	25.00	3,774,408,517	29.54

Note:

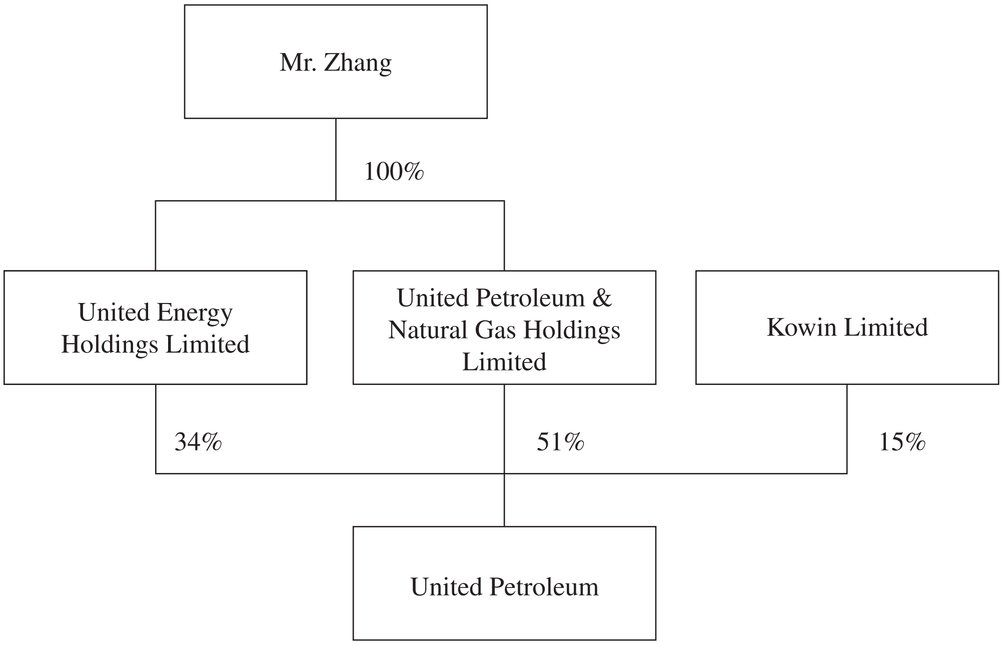
1. The entire issued share capital of each of He Fu, United Energy Holdings Limited and United Petroleum & Natural Gas Holdings Limited is solely and beneficially owned by Mr. Zhang, the Controlling Shareholder, the chairman and an executive Director of the Company.

2. Mr. Zhu Jun is a Director.

After Completion and completion of the placing of 1,374,000,000 Placing Shares, the effective interest in the Company owned by Mr. Zhang will change from approximately 74.58% to approximately 70.46% while public float will be maintained at or above 25%. The Acquisition will not result in a change of control of the Company.

INFORMATION ON THE VENDORS AND UNITED PETROLEUM

The shareholding structure of United Petroleum as at the Latest Practicable Date is as follows:



Each of United Energy Holdings Limited and United Petroleum & Natural Gas Holdings Limited, being one of the Vendors, is an investment holding company established in the BVI on 15 March 2006 and 16 March 2006 respectively and each is wholly-owned by Mr. Zhang.

Kowin Limited, also one of the Vendors, is an investment holding company established in the BVI on 15 October 2004 and is held by two individuals independent from the Group.

United Petroleum is an investment holding company principally investing in the oil business established by the Vendors in the BVI on 15 March 2006. United Petroleum has participating interests in an oilfield project in Bohai Bay Basin in the PRC which refers to United Petroleum's rights pursuant to the EOR Contract as defined below. Such participating interests comprise of and represent an entitlement of 60% of the annual production of the incremental oil (after payment for value added tax, royalty and operating costs). The activities of United Petroleum do not include exploration for natural resources. As the participating interests are in relation to the enhancing oil recovery from the existing oilfield project of China National Petroleum Corporation ("CNPC") in Bohai Bay Basin only, it does not include exploration for natural resources but only exploitation of nature resources. United Petroleum currently has no other investments in the oil business apart from the participating interests in the oilfield project in Bohai Bay Basin.

The management team of United Petroleum comprised of very experienced managers and technical advisers with local and first-hand experience in oil industry and in project area.

On 15 September 2006, United Petroleum and CNPC entered in to a cooperative contract for enhancing oil recovery ("EOR Contract") in Gaosheng Block, Bohai Bay Basin of the PRC. Pursuant to the EOR Contract, United Petroleum agreed to provide funds and apply its appropriate and advanced technology, equipment and managerial experience to enhance, with the cooperation of CNPC, the oil recovery of the reservoir(s) within the relevant contract area in contrast to the estimated oil recovery that CNPC would be able to reach by applying the original operation method. The maximum term of the EOR Contract is 25 years from the date of commencement of implementation of the EOR Contract, i.e. 1 February 2007, unless extended due to the production period.

CNPC and United Petroleum have appointed an equal number of representatives to form a joint management committee ("JMC") for proper performance of the EOR operations.

The term of the EOR Contract consists of the following three phases:

1. Pilot Test Period

Study and operations will be conducted for the purpose of determining the economical efficiency of enhancing oil recovery ("EOR") for the reservoir(s) or payzone(s) within the relevant contract area and production activities will be conducted within the area specified for pilot test, including drilling, well repair, recompletion, injection, stimulation and testing operations, injectivity test and pilot displacement test and other activities related to these operations and tests.

The pilot test period has begun on 1 February 2007 and will last for two years, the term of which may be extended with approval from CNPC. The operations were commenced on 5 June 2007, prior to which United Petroleum was responsible for the preparation work. During the first year of the pilot test period, United Petroleum is required to instigate a steamflood pilot test on four well groups and also to drill a minimum of ten new wells, install a steam injection facility, construct injection and production lines, and build a metering station for the pilot test area. For the second year, United Petroleum is to complete the steamflood pilot tests and formulate an EOR programme for the relevant contract area. United Petroleum has full intention to carry out the development plans for the EOR programme. As the operator, United Petroleum is required to bear 100% of the cost of the pilot test, which was funded by the shareholder's loan provided by United Energy Holdings Limited, of approximately US$16 million, which includes US$10.96 million for capital expenditure ("CAPEX") and US$5.04 million for operating expenditure ("OPEX") and which has been paid in June 2007. A fee of US$75,000 is payable to CNPC during each year of the pilot test period.

At the end of the pilot test period, United Petroleum has the right to terminate the EOR Contract without penalty.

2. Development Period

The EOR programme formulated by United Petroleum will be submitted to a department or unit authorised by the State Council of the PRC for approval before the pilot test period ends. The development period will begin upon receipt of such approval. The EOR Contract does not specify term of the development period but it is currently estimated that the major part of the programme will last for approximately three years.

During the development period, operations will be carried out for the realization of enhancing the oil recovery for any reservoir or payzone within the relevant contract area, including design, drilling, construction, installation, specific EOR operations and the related research work and production activities. The development costs for such operations shall be borne by CNPC and United Petroleum in the proportion of 30% by CNPC and 70% by United Petroleum.

3. Production Period

The production period will commence on a date on which a cumulative 20,000 metric tons of incremental oil from the EOR operations have been extracted from the relevant contract area, and will continue for a period of 15 consecutive years, which may be extended with the approval from CNPC. During the production period, operations such as extraction, injection, stimulation, treatment, storage, transportation and lifting in relation to EOR will be carried out. The OPEX for the production period shall be shared by CNPC and United Petroleum in the proportion of 40% by CNPC and 60% by United Petroleum respectively.

The annual production of the incremental oil shall, after payment for value added tax, royalty and operating costs, shall be allocated to CNPC and United Petroleum in the proportion of 40% for CNPC and 60% for United Petroleum.

As at the Latest Practicable Date, the relevant oilfield in Bohai Bay Basin under the EOR Contract is still at the Pilot Test Period.

INFORMATION OF CNPC

CNPC is a PRC state-owned enterprise and has the exclusive right to engage in petroleum exploration, development and production in cooperation with foreign enterprises in areas approved by the State Council of the PRC (including the oilfield in Bohai Bay Basin) for exploitation of land petroleum resources in cooperation with foreign enterprises. Under the EOR Contract, CNPC has the obligation to assist United Petroleum to carry out expeditiously and efficiently the EOR operations, including obtaining various administrative approvals or permits.

Certain key financial information of United Petroleum prepared in accordance with accounting principles generally accepted in Hong Kong for the periods from 15 March 2006 which is the date of incorporation of United Petroleum to 31 March 2007 and from 1 April 2007 to 31 May 2007:

	For the period from 15 March 2006 to 31 March 2007 (audited) *HK$'000*	**For the period from 1 April 2007 to 31 May 2007 (audited)** *HK$'000*
Net loss before taxation	1,688	457
Net loss after taxation	1,688	457

As at 31 May 2007, the audited net liability of United Petroleum amounted to HK$1,755,000. Upon Completion, United Petroleum will become a wholly owned subsidiary of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE FINANCIAL INFORMATION OF UNITED PETROLEUM

For the period from 15 March 2006 to 31 March 2007

Results

United Petroleum had not conducted any business activities and did not generate any revenue during the period. United Petroleum recorded a loss of approximately HK$1.7 million which was mainly attributable to the administrative expenses of approximately HK$9.2 million incurred while largely offset by the bank interest income of HK$7.4 million during the period.

Business Review

United Petroleum is principally engaged in investment holding. Save for the EOR Contract, United Petroleum had not commenced any business operations. During the period, United Petroleum, as the operator of the EOR Contract, set up a branch institution in Panjin, Liaoning Province, PRC, which is the operational entity to fulfill the responsibility of the operator. According to the EOR Contract, United Petroleum is required to fulfill a minimum expenditure of US$16 million over the two years pilot test period.

Capital structure, liquidity and financial resources

As at 31 March 2007, the total assets of United Petroleum amounted to approximately HK$134.9 million comprising non-current assets of approximately HK$784,000 and current assets of approximately HK$134.1 million. The non-current assets mainly comprised property, plant and equipment of approximately HK$613,000 whilst current assets represented principally bank balance and cash of approximately HK$133.9 million. United Petroleum had no non-current liabilities while current liabilities of HK$136.2 million mainly comprised a shareholder's loan of approximately HK$134.9 million due to United Energy Holdings Limited. The net current liabilities of United Petroleum as at 31 March 2007 amounted to approximately HK$2.1 million. As at 31 March 2007, other than the aforesaid shareholder's loan, United Petroleum did not have any bank borrowings or other material contingent liabilities. The gearing ratio of United Petroleum was approximately 101% (expressed as the ratio of total liabilities divided by total assets).

United Petroleum's funding and treasury policies are established to ensure the availability of funds at reasonable costs to meet all contractual financial commitments and fund its business development. United Petroleum relied principally on the funds provided by its holding company.

United Petroleum's transactions were mainly denominated in Hong Kong Dollars and Renminbi. As the exchange rate between the two currencies is relatively stable, the exposure to fluctuations in the exchange rate of the currencies is minimal.

Material investment, acquisitions and disposals

Other than setting up the aforesaid branch in the PRC, United Petroleum had not made any other investments or acquisitions and/or disposals of subsidiaries or associated companies during the period.

Human Resources

As at 31 March 2007, United Petroleum had a total of 35 employees and the total staff costs including directors' remuneration for the period was HK$2,369,000. Salaries of employees were maintained at a competitive level and United Petroleum continued to reviews remuneration packages of employees with reference to the general market condition and individual performance. Remuneration packages comprised salaries and discretionary bonuses.

For the period from 1 April 2007 to 31 May 2007

Results

For the two months from 1 April 2007 to 31 May 2007, United Petroleum has not commenced any business operations and therefore no turnover was recorded. United Petroleum recorded a loss of approximately HK$457,000 for the period which was mainly attributable to the general and administrative expenses and payment for the purpose of setting up the operational branch in Panjin, Liaoning Province, PRC.

Business Review

United Petroleum had not conducted any material business activities during the period as it was still in the preparatory stage for the pilot test. According to the EOR Contract, United Petroleum, as the operator, prepared plan of pilot test and all kinds of management document for setting up a joint management committee with CNPC.

Capital structure, liquidity and financial resources

As at 31 May 2007, United Petroleum's total asset amounted to approximately HK$139.2 million which comprised non-current assets of approximately HK$5.5 million and current assets of approximately HK$133.6 million. The increase in non-current assets of HK$4.8 million was mainly attributable to the increase in deposits for acquisition of property, plant and equipment of approximately HK$4.3 million. Current assets of United Petroleum mainly comprised bank balances and cash of approximately HK$133.3 million while current liabilities mainly represented the shareholder loan due to United Energy Holdings Limited of approximately HK$134.9 million. The net current liabilities of United Petroleum was approximately HK$7.3 million. As at 31 May 2007, other than the aforesaid shareholder's loan, United Petroleum did not have any bank borrowings or other material contingent liabilities. The gearing ratio of United Petroleum was approximately 101.2% (expressed as the ratio of total liabilities divided by total assets).

United Petroleum's transactions were mainly denominated in Hong Kong Dollars and Renminbi. As the exchange rate between the two currencies is relatively stable, the exposure to fluctuations in the exchange rate of the currencies is minimal.

Material investment, acquisitions and disposals

During the period, United Petroleum had not made any material investments nor any acquisitions and/or disposals of subsidiaries and associated companies.

Human Resources

As at 31 May 2007, United Petroleum had a total of 35 employees, the level of staff cost has not changed from the previous period. The total staff costs including directors' remuneration was HK$994,000. Salaries of employees were maintained at a competitive level and United Petroleum continued to reviews remuneration packages of employees with reference to the general market condition and individual performance. Remuneration packages comprised salaries and discretionary bonuses.

BUSINESS PROSPECT OF THE ENLARGED GROUP

The Group is principally engaged in investment holding, property development and investment, wholesale of household building materials and management in Shenyang, the PRC. The development and building of large shopping malls, supermarkets, offices, hotels, service apartment by the Group is in progress.

The Enlarged Group will continue its existing businesses including oil business. In view of the continued rapid growth of the PRC economy, growth of oil demand in Asia, together with strong demand in other developed countries, the Directors believe that the increasing trend of oil price would be sustained. The pilot test and related operations under the EOR Contract have been in good progress so far. The Directors believe that it is in the Enlarged Group's interest and that of Shareholders to develop the oil business.

Going forward, the Enlarged Group will continue to look for and capture investment or business opportunities that have good potential to improve the Group's profitability and to enhance the Shareholders' value.

FINANCIAL EFFECTS OF THE ACQUISITION AND THE PLACING ON THE GROUP

Upon Completion, United Petroleum will become a wholly-owned subsidiary of the Company. The Group will be able to consolidate 100% of its profit/loss and assets/liabilities into the Group's financial statements.

Effect on net asset value

As at 31 March 2007, the audited net asset value of the Group amounted to approximately HK$728 million. As at 31 May 2007, United Petroleum recorded a net liability of approximately HK$1.8 million. Upon completion of the Acquisition and Placing, pro forma net asset value of the Enlarged Group is estimated to be HK$3,007 million, representing 313% increase primarily due to the HK$2,146 million increase in bank and cash balances as a result of the Placing.

Effect on earnings

For the period from 15 March 2006 to 31 March 2007 and the two months ended 31 May 2007, United Petroleum recorded net loss of approximately HK$1.7 million and HK$457,000, respectively. For the two years ended 31 March 2006 and 2007, profit attributable to equity holders and loss attributable to equity holders of the Company were approximately HK$5 million and HK$18.5 million respectively.

United Petroleum had not conducted any business activities since its incorporation to 31 May 2007 and therefore, no revenue was generated for the period. The net loss was mainly due to the general and administrative expenses and payments for the purpose of setting up the operational branch in Panjin, Liaoning Province. After completion of pilot test period, the Directors expect that United Petroleum will be able to generate stable revenue and will strengthen the Group's financial position throughout the remaining term of the EOR Contract.

Effect on gearing

As at 31 March 2007, the gearing level of the Group, calculated as total liabilities divided by total assets, was approximately 36.0%. Upon completion of the Acquisition and Placing, the gearing level of the Enlarged Group will decrease to 12.0% due to the bank and cash balances increase resulting from the placing proceeds.

Effect on working capital

Pursuant to the Acquisition Agreement, the Consideration will be satisfied at Completion by way of the issue of Consideration Shares. In addition, the bank and cash balances will increase substantially after the completion of the Placing. The Directors are of the view that the Enlarged Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of publication of this circular.

Conclusion

Having taken into account the abovementioned effects, the Group's net assets, gearing level and working capital will be substantially improved upon the completion of the Acquisition and Placing. Despite the effect that operating expenses will increase in relation to the pilot test period of the oilfield, the Directors are of the view that entering into the Acquisition Agreement will diversify the Group's business profile and revenue source to capture the rapid growth of the PRC economy and expanding oil demand in Asia, which is in the interest of the Company and the Shareholders as a whole.

REASONS FOR THE ACQUISITION

The Company is an investment holding company. The principal activities of its subsidiaries are investment holding, property development and investment and wholesale of household building materials. The Company takes initiative in identifying investment opportunities that will broaden its revenue sources. The Acquisition represents a good opportunity for the Company to diversify its business into the oil business. With the anticipated continued rapid growth of the PRC economy which will fuel the demand for oil, the Directors believe that the oil business under the Acquisition provides a promising growth potential and prospect for the Group. Based on the above reasons, the Directors, consider that the Acquisition is beneficial to the Company's business prospects and the terms and conditions of the Acquisition Agreement, including the issue price of the Consideration Shares, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Based on the above reasons, the Directors, including independent non-executive Directors, consider that the terms and conditions of the Acquisition Agreement, including the Consideration and the issue and the issue price of the Consideration Shares, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE GROUP

The Company acts as an investment holding company. The principal activities of its subsidiary are investment holding, property development and investment and wholesale of household building materials.

SGM

A notice convening the SGM to be held at Meeting Room, Island Pacific Hotel, 152 Connaught Road West, Hong Kong, on Wednesday, 3 October 2007 at 3:00 p.m. is set out on pages 175 to 176 of this circular. Ordinary resolutions will be proposed at that meeting to approve the Acquisition Agreement and the transactions contemplated thereby, including the Consideration, the issue and the issue price of the Consideration Shares. Voting on the resolutions will be by way of poll.

PROCEDURES FOR DEMANDING A POLL BY SHAREHOLDERS

A resolution put to the vote of a meeting shall be decided on a show of hands unless voting by way of a poll is required by the rules of the designated stock exchange or (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded:

(i) by the chairman of the meeting; or

(ii) by at least three Shareholders present in person (or in the case of a Shareholder being a corporation by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or

(iii) by a Shareholder or Shareholders present in person (or in the case of a Shareholder being a corporation by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to vote at the meeting; or

(iv) by a Shareholder or Shareholders present in person (or in the case of a Shareholder being a corporation by its duly authorised representative) or by proxy and holding Shares in the Company conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all Shares conferring that right; or

(v) if required by the rules of the designated stock exchange by any Director or Directors who, individually or collectively, hold proxies in respect of shares representing five per cent. (5%) or more of the total voting rights at such meeting.

Whether or not holders of the Shares are able to attend the SGM, they are requested to complete and return the form of proxy accompanying this circular in accordance with the instructions printed thereon to the Hong Kong branch share registrar and transfer office of the Company, Secretaries Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude holders of the Shares from attending and voting in person at the SGM or any adjournment thereof should they so wish.

As at the Latest Practicable Date, He Fu and its associates controlled or were entitled to exercise control of approximately 74.58% of the voting rights in respect of the Shares in the Company and will abstain from voting at the SGM on the resolution to approve the Acquisition.

Save for the aforesaid, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no other Shareholder or his associate has a material interest in the Acquisition and is required under the Listing Rules to abstain from voting at the SGM.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising of Mr. Chau Siu Wai, Mr. San Fung and Mr. Zhu Chengwu has been constituted to make recommendations to the Independent Shareholders in relation to the Acquisition.

INDEPENDENT FINANCIAL ADVISER

Hercules Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders regarding the Acquisition.

RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the Acquisition is on normal commercial terms and that such terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM.

Your attention is drawn to the recommendation of the Independent Board Committee (set out on page 25 of this circular) and advice of Hercules Capital Limited (set out on pages 26 to 43 of this circular) regarding the Acquisition.

FURTHER INFORMATION

The information contained in this circular including the Letter from the Board and the technical assessment report has included the matters as set out in Rule 18.09 of the Listing Rules (except Rule 18.09(8)(a) and (b) and Rule 18.09(10)).

Your attention is drawn to the information set out elsewhere in this circular and in the appendices to it.

By order of the Board
Orient Resources Group Company Limited
Zhang Hongwei
Executive Director

17 September 2007, Hong Kong

ORIENT RESOURCES GROUP COMPANY LIMITED

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

(Stock Code: 467)

17 September 2007

To the Independent Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION
ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF AND SHAREHOLDER'S LOAN OWED BY UNITED PETROLEUM & NATURAL GAS INVESTMENTS LIMITED

As the Independent Board Committee, we have been appointed to advise you in connection with the transactions under the Acquisition Agreement, details of which are set out in the letter from the Board contained in the circular to the Shareholders dated 17 September 2007 (the "Circular"), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

Having considered the terms of the Acquisition Agreement and the transactions contemplated thereunder, and the advice of Hercules Capital Limited in relation thereto as set out on pages 26 to 43 of the Circular, we are of the opinion that the terms of the Acquisition Agreement and the transactions comtemplated thereunder including the Consideration, the issue and the issue price of the Consideration Shares are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders and the Company are concerned and that the terms of the transactions under the Acquisition Agreement are in the interest of the Shareholders and the Company as a whole. We, taking into account the recommendations of the Independent Financial Adviser, therefore recommend that the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the transactions contemplated under the Acquisition Agreement.

Yours faithfully,
Independent Board Committee
Mr. Chau Siu Wai　　Mr. San Fung　　Mr. Zhu Chengwu

The following is the text of a letter from Hercules Capital Limited for the purpose of incorporation in this circular, in connection with its advice to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Acquisition Agreement.

Hercules
Hercules Capital Limited

1503 Ruttonjee House
11 Duddell Street
Central
Hong Kong

17 September 2007

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

**MAJOR AND CONNECTED TRANSACTION
ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF AND SHAREHOLDER'S LOAN OWED BY
UNITED PETROLEUM & NATURAL GAS INVESTMENTS LIMITED**

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Acquisition Agreement, details of which are set out in the letter from the Board contained in the circular dated 17 September 2007 to the Shareholders (the "**Circular**"), of which this letter forms part. Unless the context requires otherwise, terms used in this letter have the same meanings as defined elsewhere in the Circular.

On 15 August 2007, the Board announced that the Company had on 8 August 2007 entered into the Acquisition Agreement with the Vendors pursuant to which the Company has conditionally agreed to acquire the entire issued share capital of, and shareholder's loan owing by United Petroleum to United Energy Holdings Limited. As two of the Vendors are wholly-owned by Mr. Zhang, the Controlling Shareholder and an executive Director, the Acquisition constitutes a connected transaction for the Company under the Listing Rules and is subject to approval by the Independent Shareholders, by way of poll, at the SGM. He Fu and its associates will abstain from voting on the ordinary resolution to approve the Acquisition Agreement at the SGM.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Chau Siu Wai, Mr. San Fung and Mr. Zhu Chengwu, has been formed to advise the Independent Shareholders on the Acquisition Agreement and the transactions which it contemplates. We have been engaged to advise the Independent Board Committee and the

Independent Shareholders as to whether the Acquisition Agreement and the transactions which it contemplates are on normal commercial terms, in the ordinary and usual course of business, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

In formulating our recommendations, we have reviewed, *inter alia,* (i) the Acquisition Agreement; (ii) the Company's 2006 and 2007 annual reports; (iii) the accountants' report on United Petroleum as set out in Appendix I to the Circular; (iv) the valuation report prepared by the Independent Valuer as set out in Appendix IV to the Circular; (v) the technical assessment report as set out in Appendix V to the Circular; and (vi) the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to the Circular. We have considered such other information, analyses and market data which we deemed relevant. We have also conducted verbal discussions with the Independent Valuer regarding the methodology, bases and assumptions employed in the valuation. We have assumed that such information and statements, and any representations made to us, are true, accurate and complete in all material respects as of the date hereof and we have relied upon on them in formulating our opinion. We have also assumed that all information, opinions and representations contained or referred to in the Circular are true, accurate and complete in all material respects as at the date of the Circular, and will continue as such at the date of the SGM, and that they may be relied upon in formulating our opinion. The Directors have confirmed that, having made all reasonable enquiries and to the best of their knowledge and belief, there are no other facts the omission of which would make any statements in the Circular misleading. We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have no reason to suspect that any material information has been withheld by the Directors or management of the Company, or is misleading, untrue or inaccurate. We have not, however, for the purpose of this exercise, conducted any independent detailed investigation or audit into the businesses or affairs or future prospects of the Group.

PRINCIPAL FACTORS CONSIDERED

The principal factors that we have taken into consideration in arriving at our opinion are set out below. In reaching our conclusion, we have considered all the factors and analyses in light of each other and ultimately reached our opinion based on all such factors and results of analyses taken as a whole.

A. Background of the Group

The Company is an investment holding company and the principal activities of its subsidiaries are investment holding, property development and investment and wholesale of household building materials.

Summarised in the table below is the audited income statements of the Group extracted from the Company's annual reports for the two years ended 31 March 2007 and 2006.

Table 1: Financial Summary of the Group

	For the year ended 31 March		
	2007	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
			(restated)
Turnover	**15,933**	**3,700**	**3,884**
Cost of sales and service	(5,314)	(1,821)	(2,149)
Gross profit	**10,619**	**1,879**	**1,735**
gross profit margin	*66.6%*	*50.8%*	*44.7%*
Other income	33,337	15	—
Administrative expenses	(19,758)	(7,868)	(13,191)
Deficit arising on revaluation of investment properties	—	—	(18,420)
Increase in fair value of investment properties	—	1,440	—
Profit from operations	**24,198**	**(4,534)**	**(29,876)**
operating margin	*151.9%*	—	—
Finance costs	(951)	(718)	(391)
Profit (loss) before tax	**23,247**	**(5,252)**	**(30,267)**
Income tax expense	(2,571)	—	—
Profit (loss) before minority interests	**20,676**	**(5,252)**	**(30,267)**
Minority interests	(2,168)	—	—
Profit (loss) for the year	**18,508**	**(5,252)**	**(30,267)**
net margin	*116.2%*	—	—

For the year ended 31 March 2007, turnover increased more than three times to HK$15.9 million due to a 156.5% increase in rental income to HK$9.5 million, a HK$3.6 million property management service fee income and a HK$3.1 million income from wholesale of household building materials. Gross profit increased from HK$1.7 million for the financial year 2005 to HK$1.9 million for the financial year 2006 and further to HK$10.6 million for the financial year 2007, representing year-on-year increases of 8.3% and 465.1% respectively. For the financial year 2007, profit attributable to Shareholders amounted to HK$18.5 million compared to a net loss of HK$5.3 million and HK$30.3 million for the financial years 2006 and 2005 respectively. Such improvement was mainly attributable to an over 2,221 times increase in other income (which included a HK$12.8 million gain on investment properties, a HK$8.9 million gain on disposal of financial assets at fair value, a 641 times increase in interest and other incomes to HK$9.6 million) and the absence of any deficit arising on revaluation of investment properties.

B. The Acquisition Agreement (as amended by the Supplemental Agreement)

1. *Overview*

Pursuant to the Acquisition Agreement, the Company has conditionally agreed to acquire the entire issued share capital of, and shareholder's loan (which amounted to approximately HK$268,644,294 as at the date of the Acquisition Agreement) owing by United Petroleum, for a total consideration of HK$7,288,644,294. Under the Acquisition

Agreement, it is agreed that prior to Completion, the amount of the aforesaid outstanding shareholder's loan will not increase by more than RMB110,880,000 up to and including 31 October 2007 and in any event only if reasonably necessary for the purpose of performing United Petroleum's obligations under the EOR Contract. The Consideration is subject to adjustment based on total amount of shareholder's loan outstanding at Completion and will be satisfied by the allotment and issue of 4,527,108,257 Consideration Shares to the Vendors and/or their nominees at the Completion Date. The conditions precedent to Completion must be satisfied on or before 31 December 2007 or such other date as agreed to by the parties to the Acquisition Agreement.

2. ***Information on United Petroleum***

United Petroleum is an investment holding company established by the Vendors in the British Virgin Islands on 15 March 2006 to invest principally in oil business. The only investment of United Petroleum in the oil business is the participating interests in an oilfield project of CNPC in Bohai Bay Basin in the PRC. Such participating interests comprise and represent an entitlement of 60% of the annual production of the incremental oil (after payment for value added tax, royalty and operating costs). As the participating interests are in relation to the enhancing oil recovery from the existing oilfield project of CNPC in Bohai Bay Basin, the activities of United Petroleum include exploitation but not exploration for natural resources.

The management team of United Petroleum comprises very experienced managers and technical advisers with local and first-hand experience in the oil industry and in Bohai Bay Basin in the PRC. We have examined the credentials of senior management of United Petroleum provided by the Company and note that the key personnel possess the required skills and are also capable of developing exploration projects through to successful production of oil. These key personnel have a combined experience of more than 170 years in the oil industry, in the fields of geophysics, exploration geology, project evaluation and investment, asset management and company management. Each of the key personnel has a proven track record in the execution of oil projects in the PRC. The team has profound experience of successfully exploring for and producing oil and gas with companies such as PetroChina Company Limited and CNPC.

On 15 September 2006, United Petroleum and CNPC entered into a cooperative contract for enhancing oil recovery in the Gaosheng Block, Bohai Bay Basin of the PRC. Pursuant to the EOR Contract, United Petroleum agreed to provide funding and apply its appropriate and advanced technology, equipment and managerial experience to enhance, with the cooperation of CNPC, the oil recovery of the reservoir(s) within the relevant contract area in contrast to the estimated oil recovery that CNPC would be able to reach by applying the original operating method. The maximum term of the EOR Contract is 25 years from the date of commencement of implementation of the EOR Contract, i.e. 1 February 2007, unless extended during the production period.

CNPC and United Petroleum has each appointed an equal number of representatives to form a joint management committee ("**JMC**") to oversee the proper performance of the EOR operations.

The term of the EOR Contract consists of the following three phases:

(a) *Pilot Test Period*

Study and operations for the purpose of determining the economical efficiency of enhancing oil recovery ("**EOR**") for the reservoir(s) or payzone(s) within the relevant contract area and production activities will be conducted within the area specified for pilot test, including drilling, well repair, recompletion, injection, stimulation and testing operations, injectivity test and pilot displacement test and other activities related to these operations and tests.

The pilot test period commenced on 1 February 2007 and will last for two years, but could be extended with approval from CNPC. The pilot test operations commenced on 5 June 2007, prior to which United Petroleum was responsible for the preparation work. During the first year of the pilot test period, United Petroleum is required to instigate a steamflood pilot test on four well groups and also to drill a minimum of ten new wells; install a steam injection facility; construct injection and production lines; and build a metering station for the pilot test area. For the second year, United Petroleum is to complete the steamflood pilot tests and formulate an EOR programme for the relevant contract area. United Petroleum has full intention to carry out the development plans for the EOR programme. As the operator, United Petroleum is required to bear 100% of the cost of the pilot test of approximately US$16 million, which includes US$10.96 million for capital expenditure ("**CAPEX**") and US$5.04 million for operating expenditure ("**OPEX**"). Funded by the shareholder's loan, the cost for the pilot test has been paid in June 2007. A fee of US$75,000 is payable to CNPC during each year of the pilot test period for its assistance stipulated in the EOR Contract.

At the end of the pilot test period, United Petroleum has the right to terminate the EOR Contract without penalty.

(b) *Development Period*

The EOR programme formulated by United Petroleum will be submitted to a department or unit authorised by the State Council of the PRC for approval before the pilot test period ends. The development period will begin upon receipt of such approval. The EOR Contract does not specify a term for the development period but it is currently estimated that the major part of the programme will last for approximately three years.

During the development period, operations will be carried out for the realisation of enhancing the oil recovery of any reservoir or payzone within the relevant contract area, including design, drilling, construction, installation, specific EOR operations and the related research work and production activities. The development costs for such operations shall be borne by CNPC and United Petroleum in the proportion of 30% by CNPC and 70% by United Petroleum.

(c) *Production Period*

The production period will commence on a date on which a cumulative 20,000 metric tons of incremental oil from the EOR operations have been extracted from the relevant contract area, and will continue for a period of 15 consecutive years, which could be extended with the approval from CNPC. During the production period, operations such as extraction, injection, stimulation, treatment, storage, transportation and lifting in relation to the EOR will be carried out. The OPEX for the production period shall be shared by CNPC and United Petroleum in the proportion of 40% by CNPC and 60% by United Petroleum respectively.

The annual production of the incremental oil shall, after payment of value added tax, royalty and operating costs, be allocated to CNPC and United Petroleum in the proportion of 40% for CNPC and 60% for United Petroleum.

As at the Latest Practicable Date, the relevant oilfield in Bohai Bay Basin under the EOR Contract is still in the pilot test period.

Summarised below are the historical revenue and results of United Petroleum, which are extracted from the accountants' report on United Petroleum as set out in Appendix I to the Circular:

Table 2: Historical Performance of United Petroleum

	Two months ended 31 May		**Period from 15 March 2006 to 31 March 2007**
	2007	**2006**	
	HK$'000	*HK$'000*	*HK$'000*
Turnover	—	—	—
Other income	1,213	1,194	7,531
Administrative expenses	(1,670)	(146)	(9,219)
(Loss) profit before tax	**(457)**	**1,048**	**(1,688)**
(Loss) profit for the period	**(457)**	**1,048**	**(1,688)**

United Petroleum reported no revenue from the oil project for the aforesaid periods as the production of oil from the oil project has yet to commence. Other income comprises mainly interest income.

As noted from the accountants' report of United Petroleum, the net deficit of United Petroleum amounted to approximately HK$1.76 million as at 31 May 2007.

3. *Rationale for the Acquisition*

As stated in the letter from the Board, the Company takes initiative in identifying investment opportunities that will broaden its revenue sources. The Board considers that the Acquisition represents a good opportunity for the Company to diversify its business into the oil business. With the anticipated continued rapid growth of the PRC economy which will fuel the demand for oil, the Directors believe that the oil business under the Acquisition provides a promising growth potential and prospects for the Group. Based on the above reasons, the Directors consider that the Acquisition is beneficial to the Company's business prospects.

(a) *The global crude oil industry*

According to the BP Statistical Review of World Energy 2007, dated Brent crude oil averaged US$65.14 per barrel in 2006, nearly 20% above the 2005 average. Global oil consumption grew by 639,000 barrels per day ("**b/d**"), or 0.8%, to reach 83.7 million b/d in 2006. Global oil production amounted to 81.7 million b/d in 2006, representing an increase of 0.5%. Based on the historical data contained in the review, (i) the global oil consumption has been exceeding the global oil production since 1981; (ii) the global oil consumption has maintained an increasing trend in the last decade; (iii) the global oil production, however, showed decreases in 1999, 2001 and 2002.

(b) *A PRC perspective*

According to the BP Statistical Review of World Energy 2007, the PRC's oil consumption(1) amounted to 349.8 million tons, up 6.7% from 2005, while its oil output(2) rose by only 1.6% to 183.7 million tons in 2006. Accordingly, oil imports accounted for more than 40% of China's oil consumption.

The Xinhua News Agency reported on 25 July 2007 that the PRC's consumption of apparent(3) crude oil and refined oil products hit a record high in the first half of 2007, totaling 173.03 million tons and 106.112 million tons respectively, up 6.8% and 9.6% respectively year-on-year. Crude oil output increased by 1.7% to 93.31 million tons and refined oil output increased by 7.2% to 95.972 million tons. Net imports of crude oil over the same period hit 79.72 million tons, up 18.4%, while that for refined oil reached 10.14 million tons, down 15.7%.

Notwithstanding the PRC's 11th "Five-Year" Plan (2006–2010) that the energy consumption per unit of gross domestic product in 2010 should be cut by 20% on the 2005 basis, the government targets to retain an average annual economic growth rate of approximately 8% and the PRC's gross domestic product will exceed RMB21.5 trillion by 2010. Accordingly, the rapid economic growth will inevitably boost energy demand of the country.

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(1) Inland demand plus international aviation and marine bunkers and refinery fuel and loss. Consumption of fuel ethanol and biodiesel is also included.

(2) Includes crude oil, shale oil, oil sands and NGLs (the liquid content of natural gas where this is recovered separately).

(3) According to the National Bureau of Statistics, "apparent consumption" represents the sum of net imports and output but excludes inventory.

(c) *Risk factors*

We have discussed with management of the Company and understand that the Acquisition may expose the Group to the following risks:

(i) Limited operating history

Although the management of United Petroleum is highly experienced in the oil business, United Petroleum had not generated any recurring revenue from the oil business upto the Latest Practicable Date. United Petroleum had, to the Latest Practicable Date, only the participating interests in the oilfield project in Bohai Bay Basin in the PRC. Accordingly, United Petroleum has only a limited operating history in implementing its business model upon which an evaluation of United Petroleum and its prospects can be based. United Petroleum's prospects must be considered in light of the risks, expenses and difficulties frequently encountered by companies in the early stages of a new business enterprise. To address these risks, United Petroleum, *inter alia*, must respond to unexpected developments, continue to attract, retain and motivate qualified personnel, and continue to upgrade its technologies. There can be no assurance that United Petroleum will be successful in addressing such risks.

(ii) Dependence on key personnel

As the expertise of the existing management of the Group does not lie in the oil industry, United Petroleum's success depends to a significant extent on the experiences and performance of a number of its senior management personnel and other key employees. The loss of service of any of the senior management personnel or of other key employees could have a material adverse effect on United Petroleum's business, operating results or financial condition.

(iii) Uncertainty regarding estimated reserves and capital and operating expenditures

Oil reserve estimates are inherently prone to variability. The reserve estimates for the blocks GAO-3 L5, L6, L7 reservoirs, GAO-246 L5 and L6 reservoirs and GAO-3618 L5, L6, L7 reservoirs in the Gaoshing area, Bohai Bay Basin of the PRC and future capital and operating expenditures represent estimates only. The reserves have been independently evaluated by the Independent Technical Expert, an independent international energy consultancy firm specialising in petroleum reservoir evaluation and economics analysis, with an effective date of 30 June 2007, based on the development plans of United Petroleum. This evaluation includes a number of assumptions relating to factors such as, *inter alia*, initial production rates/initial oil in place estimates, production decline rates, ultimate recovery of reserves, formation of an effective steam chest, optimum steam-oil ratios, injector performance, volume conversion factor, timing and amount of capital expenditures, future oil prices and operating costs that may be imposed during the production life of the reserves. Many of these assumptions are subject to change and are beyond the control of the Company. Actual oil recovery and capital and operating expenditures may vary from the evaluation and such variations could be material.

The business of United Petroleum is dependent, to a significant extent, on the EOR operations. Forecast capital and operating expenditures are based on United Petroleum's current budgets and development plans which are subject to change based on commodity prices, market conditions, unexpected maintenance or technical problems, drilling success, potential timing delays or changes in plans with respect to the EOR project, changes in estimates and projections in relation to production, costs and expenses and health, safety and environmental risks, construction and commencement of first production, geological and geophysical interpretations, time required for securing approvals and consents to proceed with development period. United Petroleum may have to adjust its plans and budgets in a way that may materially and adversely affect its business, financial condition and results of operations and reduce the estimated amount of oil reserves available for production. There is no certainty that the net proceeds raised from the Placing would be sufficient, or the Company could raise enough additional capital, on reasonable terms and in a timely and efficient manner, for completion of the EOR Contract.

(iv) Oil price volatility

Crude oil price volatility has a significant impact on the planning decisions and budgets of United Petroleum. Global oil supply and demand, changes in economic and weather expectations, marked slowdown in the US economy, strong fundamental economic performance of the PRC, non-OPEC[1] supply growth estimates, the nuclear dispute with Iran, the US decision to increase its oil reserve and further unwinding of financial interests due to shocks in global financial markets, etc. are difficult to predict and in many instances beyond the control of the Company could affect the movement of oil prices. Accordingly, oil prices are expected to remain volatile which may materially and adversely affect United Petroleum's financial condition and operating results.

(v) Regulatory issues and political and economic factors

The EOR operations are subject to regulation by the government of the PRC. In particular, United Petroleum may also subject to various environmental protection laws and regulations, including those on discharge of waste substance. As a result, the Company may face significant constraints on its ability to implement its business plan should there be any material changes in economic and political factors of the PRC. In addition, more restrictive interpretation or more rigorous enforcement of current environmental laws and regulations, or the adoption of new environmental laws and regulations could require United Petroleum to incur new or increased costs.

(1) Organisation of the Petroleum Exporting Countries.

Noting the above risk factors, we have been advised by the Directors that:

(i) Although United Petroleum had limited operating history, it was successful in retaining the key personnel associated with the oil industry, as well as recruiting a number of other experienced professionals. These key personnel have a combined experience of more than 170 years in the oil industry, in the fields of geophysics, exploration geology, project evaluation and investment, asset management and company management. Key processes and systems have been fully integrated into United Petroleum and its operations, including a strong training and development program as well as rigorous procedures for safety and environmental protection.

(ii) Following Completion, United Petroleum will become a wholly-owned subsidiary of the Company. The Company will be responsible for United Petroleum's CAPEX and OPEX. The Directors are of the view that the Placing can raise capital for the Company to finance the development of the oil project of United Petroleum. In addition, as a listed company, the Company would have better access to the equity and/or debt markets to raise further funding should additional capital and operating expenditures for United Petroleum are required.

(iii) CNPC is a PRC state-owned enterprise and has the exclusive right to engage in petroleum exploration, development and production in cooperation with foreign enterprises in areas approved by the State Council of the PRC (including the oilfield in Bohai Bay Basin) for exploitation of land petroleum resources in cooperation with foreign enterprises. Under the EOR Contract, CNPC has the obligation to assist United Petroleum to carry out expeditiously and efficiently the EOR operations, including the obtaining of various administrative approvals or permits.

In view of the foregoing, we consider that that Acquisition would (i) place the Group in a stronger position to tap opportunities offered by the increasing power needs of the PRC's growing economy; (ii) provide the Group with a new source of revenue outside its existing businesses to feed its future growth in the long run; (iii) reduce the Group's reliance on the property sector. Furthermore, we concur with the view of the Directors that the anticipated continued rapid growth of the PRC economy will fuel the demand for oil and such diversification to a growing industry provides a promising growth potential and prospect for the Group.

4. *Basis of the consideration*

The total consideration for the Acquisition of HK$7,288,644,294 (subject to adjustment based on total amount of shareholder's loan outstanding at Completion) was negotiated between the parties at arm's length by reference to the preliminary valuation of the entire issued share capital of United Petroleum of approximately HK$7.8 billion in July 2007 by the Independent Valuer. Based on the valuation report set out in Appendix IV to the Circular, the entire issued share capital of United Petroleum was valued at HK$8.18 billion as of 31 July 2007. The Consideration for the entire issued share capital of United Petroleum represents a discount of approximately 10.9% to the latest valuation.

(a) *Independent professional valuation*

The fair market value of the entire issued share capital of United Petroleum was valued by the Independent Valuer, an independent professional valuer, as of 31 July 2007 at HK$8.18 billion. A copy of the valuation report is set out in Appendix IV to the Circular.

The Independent Valuer has in its valuation applied the market approach to determine the market value of United Petroleum, i.e. the market value of the entire issued share capital of United Petroleum was assessed based on an estimated weighted-average purchase price to barrel of oil ratio ("**P/BR**") of the recent sale and purchase transactions of other oil fields.

Based on our discussions with the Independent Valuer and review of the methodology, bases and key assumptions employed in the valuation, we understand that they have (i) interviewed with the senior management of the Company; (ii) obtained all relevant financial and operational information of United Petroleum; (iii) performed market research and obtained statistical figures from public sources; (iv) examined all relevant bases and assumptions of both the financial and operational information related to United Petroleum, which were provided by the senior management of the Company; (v) prepared a business financial model to derive the indicated value of United Petroleum; (vi) considered, *inter alia*, the specific economic environment and competition for the market in which United Petroleum currently operates or will operate, market-derived investment returns of entities engaged in similar lines of business and the financial and business risks of United Petroleum, including the continuity of income and the projected future results; and (vii) taken into account the impact of the increases in oil prices over the period from the dates of announcement of each of the comparable transactions up to the date of valuation of United Petroleum.

In the course of our discussions with the Independent Valuer, nothing material came to our attention that would lead us to believe that the valuation was not prepared on a reasonable basis nor reflect estimates and assumptions which have been arrived at after due and careful consideration. We are satisfied that (i) the Independent Valuer has the appropriate qualifications, industry experience and competence to conduct the valuation; (ii) the Independent Valuer is independent of the Company and United Petroleum; and (iii) the methodologies used in its valuation are consistent with generally accepted industry practice. Therefore, we consider that the valuation is fair and reasonable.

On the basis of the valuation and our assessment of it, we consider the Consideration, with a discount of approximately 10.9% to its market value, to be fair and reasonable.

5. ***Financing of the Acquisition***

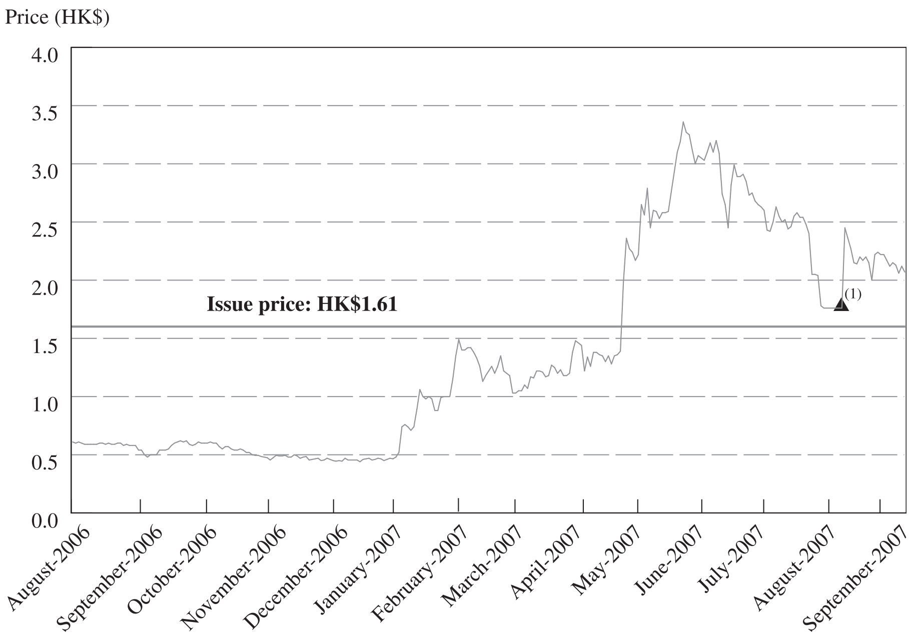
Pursuant to the Acquisition Agreement, the Consideration will be satisfied by the allotment and issue of 4,527,108,257 Consideration Shares to the Vendors and/or their nominees at the Completion Date at a price of HK$1.61 per Share ("**Issue Price**").

(a) *Issue price of the Consideration Shares*

As stated in the letter from the Board, the Issue Price was determined by the parties after arm's length negotiations on normal commercial terms and having taken reference of the market price of the Shares.

Set out below is a chart of historical closing prices of the Shares for the twelve full calendar month period prior to the date of the Announcement to the Latest Practicable Date (the "**Review Period**") as compared to the Issue Price:

Chart 1: Share Price Performance



Source: the Stock Exchange website

Notes:

1. 15 August 2007, being the date of the Announcement.

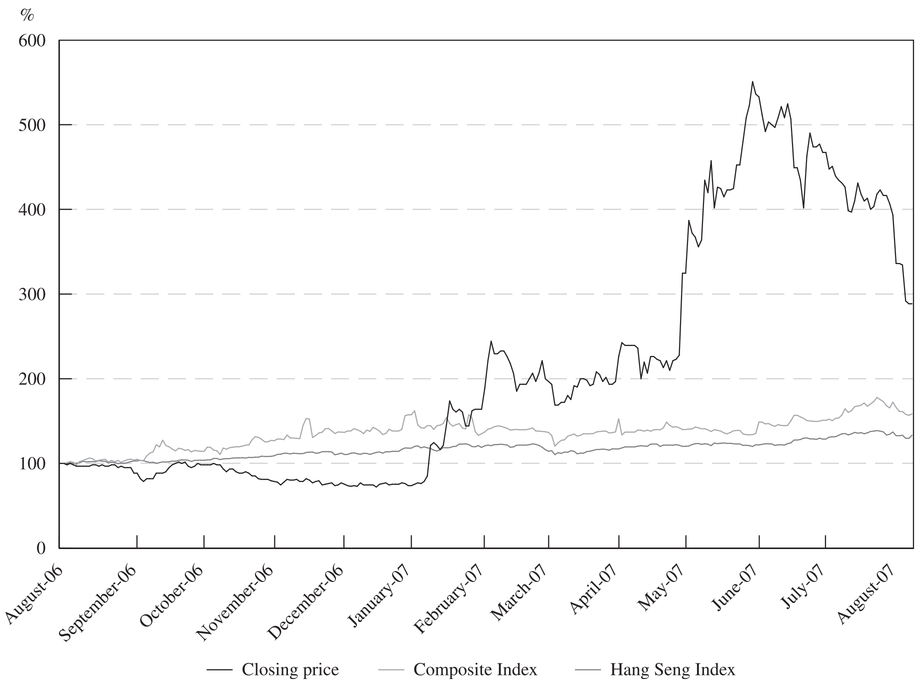
2. Trading in the Shares was suspended from 8 August 2007 to 15 August 2007.

3. On market days when the Shares are not traded, closing price equals to that of the preceding trading day.

For the period from 1 August 2006 to the Last Trading Day (the "**Pre-Announcement Period**"), the closing price of the Shares ranged from HK$0.44 per Share to HK$3.36 per Share, and the Issue Price represents a premium of 265.9% over such lowest price and a discount of approximately 52.1% to such highest price respectively.

Chart 2 below shows the relative price performance of the Shares compared to the Hang Seng Index and a peer composite for the Pre-Announcement Period.

Chart 2: Daily Closing Price of the Shares relatives to the Hang Seng Index and Peer Composite



Source: Datastream

Note:

1. Composite index includes Tian An China Investments Co Ltd., K. Wah International Holdings Ltd., HKC (Holdings) Limited, SPG Land (Holdings) Ltd., Neo-China Group (Holdings) Limited, Road King Infrastructure Ltd., Sinolink Worldwide Holdings Ltd., and SRE Group Limited, which are selected based on their similar business operations, operating geographies and market capitalisations.

The Share price has risen approximately 200% since 1 August 2006 and has outperformed the Hang Seng Index and its peers. We note that on 9 and 16 January 2007 and 30 April 2007, the Board announced that they were not aware of any reason for the increase in price and the trading volume of the Shares. Given that there is no specific cause for such increases in Share price, we believe such Share price levels are primarily attributable to speculation.

Table 3 below sets out the trading statistics for the Review Period:

Table 3: Trading Statistics for the Review Period

	Closing price *HK$*	Premium (discount) of Issue Price over (to) closing price *%*
Last Trading Date	1.76	(8.52)
average of the 5-day period up to and including the Last Trading Date	1.94	(16.84)
average of the 10-day period up to and including the Last Trading Date	2.22	(27.54)
average of the 30-day period up to and including the Last Trading Date	2.49	(35.43)
average of the 60-day period up to and including the Last Trading Date	2.70	(40.36)
average of the 90-day period up to and including the Last Trading Date	2.33	(30.83)
average of the 180-day period up to and including the Last Trading Date	1.59	1.51
average of the Pre-Announcement Period	1.29	24.55
16 August 2007, being the market day immediately after the date of the Announcement	2.45	(34.29)
Latest Practicable Date	2.07	(22.22)
Highest (30 May 2007)	3.36	(52.08)
Lowest (15 December 2006)	0.440	265.91

Source: the Stock Exchange website

Based on the trading statistics shown above, we note the following:

- The Issue Price represented discounts to the 5, 10, 30, 60 and 90-day average closing price of the Shares prior to the Last Trading Date.

- The Issue Price represented premiums over the 180-day average closing price of the Shares prior to the Last Trading Date and the average closing price for the entire Pre-Announcement Period.

- The closing price of the Shares increased by approximately 39.2% on 16 August 2007, being the trading day immediately after the date of the announcement. We believe the increase in Share price could be attributed to the positive market reception to the Acquisition.

For the purpose of assessing the Issue Price, we have identified, to the best of our knowledge, 18 transactions involving issue of consideration shares announced by companies listed on the main board of the Stock Exchange (the "**Comparable Transactions**") from 1 July 2007 to the date of the Acquisition Agreement.

Table 4: Comparable Transactions

Date of announcement	Companies (stock code)	Premium (discount) of issue price over (to) closing price on the last trading day %	the 5-day average closing pirce including the last trading day %	net asset value %
3 July 2007	Get Nice Holdings Limited (64)	(10.00)	(9.79)	(14.56)
4 July 2007	China Resources Power Holdings Company Limited (836)	(8.31)	(3.98)	328.86
4 July 2007	China Sci-Tech Holdings Limited (985)	(19.30)	(27.79)	119.05
4 July 2007	PME Group Limited (379)	(35.67)	0.36	338.03
9 July 2007	Guangzhou Investment Company Limited (123)	(15.11)	(5.00)	21.87
9 July 2007	Honesty Treasure International Holdings Limited (600)	(29.71)	(9.80)	108.15
11 July 2007	Texhong Textile Group Limited (2678)	3.57	0.00	46.46
12 July 2007	Wah Yuen Holdings Limited (2349)	(89.36)	(89.41)	(58.33)
13 July 2007	Geely Automobile Holdings Limited (175)	(14.38)	(5.30)	400.00
16 July 2007	Paliburg Holdings Limited (617)	1.35	(0.27)	(17.40)
20 July 2007	Aurora Global Investment Holdings Limited (353)	(41.18)	(41.18)	354.55
24 July 2007	Uni-Bio Science Group Limited (690)	(17.42)	(8.49)	414.02
27 July 2007	Fortune Telecom Holdings Limited (110)	(21.77)	(3.93)	67.36
30 July 2007	Culturecom Holdings Limited (343)	(10.13)	(14.53)	159.76
31 July 2007	Greater China Holdings Limited (431)	(0.53)	(0.53)	(32.49)
1 August 2007	Extrawell Pharmaceutical Holdings Limited (858)	(15.69)	(6.66)	1,034.07
6 August 2007	Vitop Bioenergy Holdings Limited (1178)	(2.78)	(6.17)	503.47
7 August 2007	MACRO-LINK International Holdings Limited (472)	(70.33)	(66.75)	114.29
Maximum		**3.57**	**0.36**	**1,034.07**
Minimum		**(89.36)**	**(89.41)**	**(58.33)**
Average		**(22.04)**	**(16.62)**	**215.95**
Median		**(15.40)**	**(6.42)**	**116.67**
The Company		(8.52)	(16.84)	704.60

Notes:

1. Net asset value of the companies are quoted from the respective announcement or based on their respective latest published annual or interim report before the date of announcement.

As shown in the above table, (i) the discount represented by the Issue Price to the closing price of the Shares as at the Last Trading Date of approximately 8.52% is materially lower than the average and median of the Comparable Transactions of 22.04% and 15.40% respectively; (ii) the discount represented by the Issue Price to the 5-day average closing price of the Shares prior to the Last Trading Date of 16.84% is close to the average of the Comparable Transactions of 16.62% but deeper than the median of the Comparable

Transactions of 6.42%; and (iii) the premium represented by the Issue Price over the net asset value of the Company of approximately 704.6% is materially higher than the average and median of the Comparable Transactions of 215.95% and 116.67% respectively and is only lower than that of Extrawell Pharmaceutical Holdings Limited. Accordingly, we consider that the Issue Price is fair and reasonable so far as the Independent Shareholders are concerned.

C. Dilution effect arising from the Acquisition and the Placing

The Consideration Shares (prior to the adjustment in relation to the total amount of the shareholder's loan outstanding as at Completion) represent approximately 65.84% of the issued share capital of the Company as at the Latest Practicable Date and approximately 35.43% of the issued share capital of the Company as enlarged by the Consideration Shares and the Placing Shares. Immediately after the allotment and issue of the Consideration Shares and the Placing Shares and assuming that there will be no change in the shareholding of the Company up to and including the Completion Date (other than the issue of the Consideration Shares and the Placing Shares), the shareholding of the Independent Shareholders in the Company will be diluted from approximately 25.4% to approximately 13.67%.

Having considered the fact that (i) the Acquisition will enhance the net asset value per Share as discussed in the section headed "D. Financial effects of the Acquisition on the Group" below; (ii) the benefits of the Acquisition as discussed in the section headed "B.3. Rationale for the Acquisition" above; and (iii) the payment of the Consideration by way of issue of the Consideration Shares will not strain the Group's liquidity, we consider that the dilution effect to be acceptable.

D. Financial effects of the Acquisition on the Group

1. *Net asset value*

As at 31 March 2007, the Group's net assets amounted to HK$728.0 million and the Group's net assets attributable to Shareholders totalled HK$521.3 million or HK$0.076 per Share (based on 6,875,983,375 Shares in issue as at 31 March 2007). Based on the unaudited pro forma statement of assets and liabilities of the Enlarged Group as set out in Appendix III to the Circular, assuming the Acquisition and the Placing had taken place on 31 March 2007, the net assets of the Enlarged Group would have been increased by 3.1 times to HK$3.0 billion. Accordingly, both the Group's net assets attributable to Shareholders and the net asset value per Share will be enhanced as the Consideration Shares and the Placing Shares will be issued at a premium to the net asset value per Share.

2. *Cash position*

The Group had cash and cash equivalents of HK$335.2 million as at 31 March 2007. As noted in the unaudited pro forma statement of assets and liabilities of the Enlarged Group as set out in Appendix III to the Circular, the cash position of the Group would have been increased by over six-folds to HK$2.5 billion (excluding the pledged bank deposit of HK$129.1 million) if the Acquisition and the Placing had taken place on 31 March 2007.

3. *Working capital*

The Group had net current assets of 445.7 million as at 31 March 2007. According to the unaudited pro forma statement of assets and liabilities of the Enlarged Group as set out in Appendix III to the Circular, the Group's net current assets would have been increased by over five-folds to HK$2.7 billion if the Acquisition and the Placing had taken place on 31 March 2007.

4. *Earnings*

For the year ended 31 March 2007, the net profit attributable to Shareholders was HK$18.5 million and the earnings per Share was approximately HK0.28 cents based on the weighted average of 6,568,586,476 Shares in issue during the financial year 2007.

For the period from 15 March 2006 to 31 March 2007 and the two months ended 31 May 2007, United Petroleum reported net loss of HK$1.7 million and HK$457,000 respectively. As stated in the letter from the Board, the net loss of United Petroleum was mainly due to the general and administrative expenses and payments for the purpose of setting up the operational branch in Panjin, Liaoning Province. The Directors expect that after the pilot test period which is estimated to be completed in about two years, United Petroleum will be able to generate stable revenue to the Group throughout the remaining term of the EOR Contract.

RECOMMENDATION

Having considered the above principal factors and reasons, in particular:

(i) the anticipated continued rapid growth of the PRC economy will fuel the demand for oil and the diversification to the growing oil industry provides a promising growth potential and prospect for the Group;

(ii) the Acquisition provides the Group with a new source of revenue outside its existing businesses to feed its future growth in the long run;

(iii) the Acquisition reduces the Group's reliance on the property sector;

(iv) the Consideration, which represents a discount of approximately 10.9% to the fair market value of United Petroleum valued by the Independent Valuer, is fair and reasonable;

(v) the payment of the Consideration will be by way of issue of the Consideration Shares and hence will not strain the Group's liquidity;

(vi) the Issue Price is fair and reasonable based on the Comparable Transactions; and

(vii) the Acquisition and the Placing would render positive impacts on the financial position of the Group;

we are of the view that the terms of the Acquisition Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and despite the Acquisition is not in the ordinary and usual course of business of the Group, which comprises investment holding, property development and investment and wholesale of household building materials, the diversification into the oil business through the Acquisition is in the interests of the Company and the Shareholders as a whole. Accordingly, we would recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the ordinary resolution to approve the Acquisition Agreement at the upcoming SGM.

Yours faithfully,
For and on behalf of
Hercules Capital Limited
Louis Koo
Managing Director

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, from the independent reporting accountants, RSM Nelson Wheeler, Certified Public Accountants, Hong Kong.

RSM Nelson Wheeler
羅 申 美 會 計 師 行
Certified Public Accountants

7th Floor
Allied Kajima Building
138 Gloucester Road
Hong Kong

17 September 2007

The Board of Directors
Orient Resources Group Company Limited

Dear Sirs,

We set out below our report on the financial information (the ''Financial Information'') of United Petroleum & Natural Gas Investments Limited (''United Petroleum'') for the period from 15 March 2006 (date of incorporation) to 31 March 2007 and the two months ended 31 May 2007 (the ''Relevant Periods'') for inclusion in the circular dated 17 September 2007 issued by Orient Resources Group Company Limited (the ''Company'') in connection with the proposed acquisition of the entire issued share capital of and shareholder's loan owed by United Petroleum (the ''Circular'').

United Petroleum was incorporated on 15 March 2006 in the British Virgin Islands with limited liability and engages in production of crude oil in the People's Republic of China (the ''PRC'').

No audited financial statements of United Petroleum have been prepared for the Relevant Periods as there is no statutory audit requirement in the country of its incorporation.

For the purpose of this report, the directors of United Petroleum have prepared the management financial statements of the United Petroleum for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards (''HKFRSs'') issued by the Hong Kong Institute of Certified Public Accountants (the ''HKICPA'') (the ''HKFRS Financial Statements'').

We have performed our independent audit on the HKFRS Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and have examined the HKFRS Financial Statements in accordance with Auditing Guideline 3.340 ''Prospectuses and the Reporting Accountant'' issued by the HKICPA.

The Financial Information has been prepared from the HKFRS Financial Statements in accordance with HKFRSs. No adjustments were considered necessary for the purpose of preparing our report for inclusion in the Circular.

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

For the purpose of this report, the directors of United Petroleum have prepared the comparative financial information of United Petroleum for the two months ended 31 May 2006 (the ''Comparative Financial Information'') in accordance with HKFRSs. We have reviewed the Comparative Financial Information in accordance with Statement of Auditing Standards 700 ''Engagements to Review Interim Financial Reports'' issued by the HKICPA. A review consists principally of making enquiries of United Petroleum management and applying analytical procedures to the Comparative Financial Information and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the Comparative Financial Information.

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the Comparative Financial Information.

In our opinion, for the purpose of this report, the Financial Information gives a true and fair view of the state of affairs of United Petroleum as at 31 March 2007 and 31 May 2007 and of United Petroleum's results and cash flows for the Relevant Periods.

Without qualifying our opinion, we draw attention to note 2 to the Financial Information which mentions that United Petroleum incurred losses of approximately HK$1,688,000 and HK$457,000 for the period from 15 March 2006 (date of incorporation) to 31 March 2007 and the two months ended 31 May 2007 respectively and had net liabilities and net current liabilities of approximately HK$1,755,000 and HK$7,302,000 respectively as at 31 May 2007. These conditions indicate the existence of a material uncertainty which may cast doubt about United Petroleum's ability to continue as a going concern. As disclosed in note 2 to the Financial Information, the Company has conditionally agreed to provide continuing financial support to United Petroleum provided that United Petroleum becomes a subsidiary of the Company upon the completion of the acquisition of United Petroleum by the Company that are subject to certain conditions being fulfilled. The Financial Information has been prepared on a going concern basis, the validity of which is dependent upon whether the financial support from the Company is forthcoming. The Financial Information does not include any adjustments that may be necessary should such financial support not be forthcoming. We consider that appropriate disclosures have been made.

FINANCIAL INFORMATION

A. Income statements

	Note	Period from 15 March 2006 to 31 March 2007	Two months ended 31 May 2006	Two months ended 31 May 2007
		HK$'000	HK$'000 (unaudited)	HK$'000
Turnover	6	—	—	—
Other income	7	7,531	1,194	1,213
Administrative expenses		(9,219)	(146)	(1,670)
(Loss)/profit before tax		(1,688)	1,048	(457)
Income tax expense	8	—	—	—
(Loss)/profit for the period	10	(1,688)	1,048	(457)

B. Balance sheets

	Note	At 31 March 2007 HK$'000	At 31 May 2007 HK$'000
Non-current assets			
Property, plant and equipment	*11*	613	1,086
Deposits for acquisition of property, plant and equipment		171	4,461
		784	5,547
Current assets			
Deposits, prepayments and other receivables		242	267
Pledged bank deposits	*12*	128,043	129,148
Bank and cash balances	*12*	5,856	4,192
		134,141	133,607
Current liabilities			
Other payables		878	454
Due to a related company	*13*	424	5,534
Due to a corporate shareholder	*13*	134,921	134,921
		136,223	140,909
Net current liabilities		(2,082)	(7,302)
NET LIABILITIES		(1,298)	(1,755)
Capital and reserves			
Share capital	*14*	390	390
Accumulated losses		(1,688)	(2,145)
CAPITAL DEFICIENCY		(1,298)	(1,755)

C. Statements of changes in equity

	Share capital	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*
Issue of share capital	390	—	390
Loss for the period	—	(1,688)	(1,688)
Balance at 31 March 2007	390	(1,688)	(1,298)
Loss for the period	—	(457)	(457)
Balance at 31 May 2007	390	(2,145)	(1,755)

	Share capital	Retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*
Balance at 1 April 2006 (unaudited)	390	122	512
Profit for the period (unaudited)	—	1,048	1,048
Balance at 31 May 2006 (unaudited)	390	1,170	1,560

D. Cash flow statements

	Period from 15 March 2006 to 31 March 2007	Two months ended 31 May 2006	Two months ended 31 May 2007
	HK$'000	*HK$'000* (unaudited)	*HK$'000*
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before tax	(1,688)	1,048	(457)
Adjustments for:			
Interest income	(7,443)	(1,194)	(1,112)
Depreciation	4	—	28
Operating loss before working capital changes	(9,127)	(146)	(1,541)
Increase in deposits, prepayments and other receivables	(242)	—	(25)
Increase/(decrease) in other payables	878	145	(424)
Increase in due to a related company	424	—	5,110
Net cash (used in)/generated from operating activities	(8,067)	(1)	3,120
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in pledged bank deposits	(128,043)	—	(1,105)
Interest received	7,443	1,194	1,112
Deposits paid for acquisition of property, plant and equipment	(171)	—	(4,290)
Purchases of property, plant and equipment	(617)	—	(501)
Net cash (used in)/generated from investing activities	(121,388)	1,194	(4,784)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	390	—	—
Increase in due to a corporate shareholder	134,921	29,232	—
Net cash generated from financing activities	135,311	29,232	—

D. Cash flow statements (cont'd)

	Period from 15 March 2006 to 31 March 2007	Two months ended 31 May	
	2007	**2006**	**2007**
	HK$'000	*HK$'000* (unaudited)	*HK$'000*
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	5,856	30,425	(1,664)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	—	194,327	5,856
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	5,856	224,752	4,192
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances	5,856	224,752	4,192

E. NOTES TO FINANCIAL INFORMATION

1. GENERAL INFORMATION

United Petroleum was incorporated in the British Virgin Islands as a company with limited liability under the International Business Companies Act of the British Virgin Islands. The address of its registered office is P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands. The address of its principal place of business is Unit 2112, 21/F, Two Pacific Place, 88 Queensway, Hong Kong.

United Petroleum engages in production of crude oil in the PRC.

In the opinion of the directors of United Petroleum, as at 31 March 2007 and 31 May 2007, United Petroleum & Natural Gas Holdings Limited, a company incorporated in the British Virgin Islands, is the immediate and ultimate parent and Mr. Zhang Hongwei is the ultimate controlling party of United Petroleum.

2. GOING CONCERN BASIS

United Petroleum incurred losses of approximately HK$1,688,000 and HK$457,000 for the period from 15 March 2006 (date of incorporation) to 31 March 2007 and the two months ended 31 May 2007 respectively; and as at 31 May 2007 United Petroleum had net current liabilities and net liabilities of approximately HK$7,302,000 and HK$1,755,000 respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt on United Petroleum's ability to continue as a going concern.

The Financial Information has been prepared on a going concern basis as the Company has conditionally agreed to provide financial support to United Petroleum upon the completion of the acquisition of United Petroleum by the Company that are subject to certain conditions being fulfilled. The directors of United Petroleum have therefore considered that United Petroleum will have sufficient resources to meet its financial obligations as and when they fall due for a period of not less than twelve months from 1 June 2007 and are satisfied that it is appropriate to prepare the Financial Information on a going concern basis.

Should United Petroleum be unable to continue as a going concern, adjustments would have to be made to the Financial Information to adjust the value of United Petroleum's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations.

The Financial Information has been prepared under the historical cost convention.

The preparation of Financial Information in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires management to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to the Financial Information, are disclosed in note 4 to the Financial Information.

United Petroleum has not applied the new HKFRSs that have been issued but are not yet effective. The directors of United Petroleum anticipate that the adoption of these new and revised HKFRSs in future periods will not have material impact on the Financial Information.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

The significant accounting policies applied in the preparation of the Financial Information are set out below.

(a) Joint venture

A joint venture is a contractual arrangement whereby United Petroleum and other parties undertake an economic activity that is subject to joint control. Joint control is the contractually agreed sharing of control over the economic activity when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control.

In respect of interests in jointly controlled operations, United Petroleum recognises in its Financial Information, the assets that it controls and the liabilities that it incurs; and the expenses that it incurs and its share of the income that it earns from the sale of goods or services by the joint venture.

(b) Foreign currency translation

(i) *Functional and presentation currency*

Items included in the Financial Information are measured using the currency of the primary economic environment in which United Petroleum operates (the ''functional currency''). The Financial Information is presented in Hong Kong dollars, which is United Petroleum's functional and presentation currency.

(ii) *Transactions and balances in financial statements*

Transactions in foreign currencies are translated into the functional currency using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the rates ruling on the balance sheet date. Profits and losses resulting from this translation policy are included in the income statement.

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to United Petroleum and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

	Residual value	**Annual depreciation rate**
Motor vehicles	10%	12.5%
Office equipment	—	20%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each balance sheet date.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the income statement.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Operating leases

Operating leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

(i) *As lessee*

Operating lease payments (net of any incentives received from the lessor) are expensed in the income statement on a straight-line basis over the lease term.

(ii) *As lessor*

Rental income from operating leases is recognised in the income statement on a straight-line basis over the term of the relevant lease.

(e) Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

(f) Other receivables

Other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of other receivables is established when there is objective evidence that United Petroleum will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in the income statement.

Impairment losses are reversed in subsequent periods and recognised in the income statement when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

(g) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of United Petroleum's cash management are also included as a component of cash and cash equivalents.

(h) Financial liabilities and equity instruments

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

(i) Other payables

Other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Equity instruments

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

(k) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to United Petroleum and the amount of revenue can be measured reliably.

Interest income is recognised on a time-proportion basis using the effective interest method.

Rental income is recognised on a straight-line basis over the lease term.

(l) Employee benefits

(i) *Employee leave entitlements*

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) *Pension obligations*

United Petroleum contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by United Petroleum and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to the income statement represents contributions payable by United Petroleum to the funds.

(m) Taxation

Income tax represents the sum of the current tax 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 periods and it further excludes items that are never taxable or deductible. United Petroleum'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 Financial Information and the corresponding tax bases 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, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Taxation (cont'd)

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 realised, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and United Petroleum intends to settle its current tax assets and liabilities on a net basis.

(n) Related parties

A party is related to United Petroleum if:

(i) directly or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, United Petroleum; has an interest in United Petroleum that gives it significant influence over United Petroleum; or has joint control over United Petroleum;

(ii) the party is an associate;

(iii) the party is a joint venture;

(iv) the party is a member of the key management personnel of United Petroleum or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of employees of United Petroleum, or of any entity that is a related party of United Petroleum.

(o) Impairment of assets

At each balance sheet date, United Petroleum reviews the carrying amounts of its tangible and intangible assets except receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, United Petroleum estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit 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 (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior periods. A reversal of an impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Provisions and contingent liabilities

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

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

(q) Segment reporting

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

In accordance with the United Petroleum's internal financial reporting, United Petroleum has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format.

(r) Events after the balance sheet date

Events after the balance sheet date that provide additional information about United Petroleum's position at the balance sheet date or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the Financial Information. Events after the balance sheet date that are not adjusting events are disclosed in the notes to the Financial Information when material.

4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In the process of applying the accounting policies, management has made the following judgement that has the most significant effect on the amounts recognised in the Financial Information.

(a) Going concern basis

The Financial Information has been prepared on a going concern basis, the validity of which depends upon whether the financial support from the Company is forthcoming. Details are explained in note 2 to Financial Information.

5. FINANCIAL RISK MANAGEMENT

United Petroleum's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. United Petroleum's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on United Petroleum's financial performance.

(a) Foreign currency risk

United Petroleum has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in Hong Kong dollars, United States dollars and Renminbi. United Petroleum currently does not have a foreign currency hedging policy in respect of foreign currency debt. United Petroleum will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(b) Credit risk

United Petroleum has no significant concentrations of credit risk.

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

(c) Liquidity risk

United Petroleum's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and long term.

(d) Interest rate risk

The interest rate of the pledged bank deposit is fixed as disclosed in note 12 to the Financial Information that exposes United Petroleum to fair value interest rate risk.

(e) Fair values

The carrying amounts of United Petroleum's financial assets and financial liabilities as reflected in the balance sheet approximate their respective fair values.

6. TURNOVER AND SEGMENT INFORMATION

United Petroleum principally engages in production of crude oil in the PRC and did not generate any turnover during the Relevant Periods.

United Petroleum principally engages in a single business segment as mentioned above. All its operating profit or loss is earned or incurred within the PRC and all its major operating assets are located in the PRC. Therefore, no business segment or geographical segment is presented.

7. OTHER INCOME

	Period from 15 March 2006 to 31 March 2007	Two months ended 31 May	
		2006	2007
	HK$'000	*HK$'000* (unaudited)	*HK$'000*
Interest income	7,443	1,194	1,112
Rental income (*note 17*)	88	—	66
Net foreign exchange gains	—	—	35
	7,531	1,194	1,213

8. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax is required since United Petroleum has no assessable profit for the Relevant Periods.

No provision for PRC enterprise income tax is required since no income had been generated from the PRC operation for the Relevant Periods.

The reconciliation between the income tax expense and the product of profit before tax multiplied by the Hong Kong Profits Tax rate is as follows:

	Period from 15 March 2006 to 31 March 2007	Two months ended 31 May	
		2006	2007
	HK$'000	*HK$'000* (unaudited)	*HK$'000*
(Loss)/profit before tax	(1,688)	1,048	(457)
Tax at the Hong Kong Profits tax rate of 17.5%	(295)	183	(80)
Tax effect of income that is not taxable	(1,303)	(208)	(195)
Tax effect of expenses that are not deductible	2,066	48	465
Tax effect of different tax rate	(468)	(23)	(190)
Income tax expense	—	—	—

No provision for deferred taxation has been made in the Financial Information as the tax effect of temporary differences is immaterial to United Petroleum.

9. DIVIDENDS

No dividend have been paid or declared by United Petroleum during the Relevant Periods.

10. (LOSS)/ PROFIT FOR THE PERIOD

United Petroleum's (loss)/profit for the period is stated after charging the following:

	Period from 15 March 2006 to 31 March 2007	Two months ended 31 May 2006	Two months ended 31 May 2007
	HK$'000	*HK$'000* (unaudited)	*HK$'000*
Depreciation	4	—	28
Directors' emoluments			
— As directors	—	—	—
— For management	1,482	—	321
	1,482	—	321
Net foreign exchange losses	132	—	—
Operating lease charges	641	—	132
Research and development expenditure	723	—	—
Staff costs including directors' emoluments			
Salaries, bonuses and allowances	2,361	30	993
Retirement benefits scheme contributions	8	—	1
	2,369	30	994

11. PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles	Office equipment	Total
	HK$'000	*HK$'000*	*HK$'000*
Cost			
At 15 March 2006	—	—	—
Additions	514	103	617
At 31 March 2007 and at 1 April 2007	514	103	617
Additions	412	89	501
At 31 May 2007	926	192	1,118
Accumulated depreciation			
At 15 March 2006	—	—	—
Charge for the period	—	4	4
At 31 March 2007 and at 1 April 2007	—	4	4
Charge for the period	24	4	28
At 31 May 2007	24	8	32
Carrying amount			
At 31 May 2007	902	184	1,086
At 31 March 2007	514	99	613

12. PLEDGED BANK DEPOSITS AND BANK AND CASH BALANCES

At 31 March 2007 and 31 May 2007, United Petroleum's cash at bank of approximately HK$128,043,000 and HK$129,148,000 respectively were pledged to a bank for issuance of a performance bond for contract of production of crude oil.

The pledged bank deposits are in US$ and at fixed interest rate of 5% p.a. The pledged bank deposits in US$ of approximately HK$128,043,000 and HK$129,148,000 as at 31 March 2007 and 31 May 2007 respectively are therefore subject to foreign currency risk and fair value interest rate risk.

As at 31 March 2007 and 31 May 2007, the bank and cash balances of United Petroleum denominated in Renminbi (''RMB'') amounted to approximately HK$4,283,000 and HK$2,951,000 respectively. Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

13. DUE TO A RELATED COMPANY/A CORPORATE SHAREHOLDER

A director, Mr. Zhang Hongwei, has significant influence over the related company.

The amounts are unsecured, interest-free and have no fixed repayment terms.

14. SHARE CAPITAL

		Number of shares	**Amount**
	Note		*HK$'000*
Authorised:			
Ordinary shares of US$1 each			
At 15 March 2006, 31 March 2007 and 31 May 2007	*(a)*	50,000	390
Issued and fully paid:			
Ordinary shares of US$1 each			
Issue of a new share on incorporation	*(a)*	1	1
Issue of new shares	*(b)*	49,999	389
At 31 March 2007 and 31 May 2007		50,000	390

Notes:

(a) United Petroleum was incorporated on 15 March 2006 with an authorised share capital of US$50,000 (equivalent to HK$390,000) divided into 50,000 ordinary shares of US$1 each.

On 15 March 2006, 1 share of US$1 was allotted and issued at par to the initial subscriber to incorporate United Petroleum.

(b) On 23 March 2006, 49,999 shares of US$1 each were allotted and issued at par for providing additional working capital to United Petroleum.

15. CAPITAL COMMITMENTS

United Petroleum's capital commitments at the balance sheet dates are as follows:

	At 31 March 2007 *HK$'000*	At 31 May 2007 *HK$'000*
Acquisition of property, plant and equipment		
Contracted but not provided for	3,102	10,946
Research and development expenditure		
Contracted but not provided for	128,437	128,476

16. LEASE COMMITMENTS

(a) As lessor

At 31 March 2007 and 31 May 2007, the total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	At 31 March 2007 *HK$'000*	At 31 May 2007 *HK$'000*
Within one year	294	231

(b) As lessee

At 31 March 2007 and 31 May 2007, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 31 March 2007 *HK$'000*	At 31 May 2007 *HK$'000*
Within one year	785	775
In the second to fifth years inclusive	124	11
	909	786

Operating lease payments represent rentals payable by United Petroleum for its office. Lease is negotiated for an average term of two years and rental is fixed over the lease term and does not include contingent rentals.

17. RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the Financial Information, United Petroleum had the following transactions with its related parties during the periods:

	Period from 15 March 2006 to 31 March 2007	Two months ended 31 May 2006	Two months ended 31 May 2007
	HK$'000	*HK$'000* (unaudited)	*HK$'000*
Rental income received from a related company	88	—	66

A director, Mr Zhang Hongwei, has significant influence over the related company.

18. RETIREMENT BENEFITS PLANS

The employees employed in the PRC are members of the state-managed retirement benefits schemes operated by the PRC government. The PRC operations are required to contribute a certain percentage of their payroll to the retirement benefit schemes to fund the benefits. The only obligation of United Petroleum with respect to the retirement benefits schemes operated by the PRC government is to make the required contributions under the schemes.

19. POST BALANCE SHEET EVENT

Pursuant to the PRC enterprise income tax law passed by the Tenth National People's Congress on 16 March 2007, the new enterprise income tax rates for domestic and foreign enterprises are unified at 25%, which will be effective from 1 January 2008. The impact of such change of enterprise income tax rate on United Petroleum's Financial Information will depend on the implementation details that have not been issued as of the date of the approval of this Financial Information. Therefore, United Petroleum cannot reasonably estimate the financial impact of the new tax law to United Petroleum at this stage.

20. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by United Petroleum in respect of any period subsequent to 31 May 2007.

Yours faithfully,
RSM Nelson Wheeler
Certified Public Accountants
Hong Kong

(A) FINANCIAL SUMMARY

The following is a summary of the consolidated income statements of the Company for the three years ended 31 March 2007 and the consolidated balance sheets of the Company as at 31 March 2005, 2006 and 2007.

Consolidated Income Statements

	Years ended 31 March		
	2007	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	(unaudited and restated)	(unaudited and restated)
Turnover	15,933	236,468	6,749
Cost of sales and service	(5,314)	(224,367)	(2,292)
Gross Profit	10,619	12,101	4,457
Other income	33,337	20,917	129
Administrative expenses	(19,758)	(13,025)	(16,713)
Surplus arising on revaluation of investment properties	—	—	46,255
Profit from operations	24,198	19,993	34,128
Finance costs	(951)	(718)	(391)
Profit before tax	23,247	19,275	33,737
Income tax expenses	(2,571)	(7,879)	(19,910)
Profit for the year	20,676	11,396	13,827
Attributable to:			
Equity holder of the Company	18,508	6,419	1,001
Minority interests	2,168	4,977	12,826
	20,676	11,396	13,827
Basic earnings per share	0.28 cents	0.12 cents	0.02 cents

Consolidated Balance Sheets

	Years ended 31 March		
	2007	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	(unaudited and restated)	(unaudited and restated)
Non-current assets			
Property, plant and equipment	149,710	137,147	707
Prepaid lease payments	—	—	360,406
Properties under development	—	—	31,075
Investment properties	161,616	172,523	148,190
Deposits for acquisition of property, plant and equipment	—	—	12,466
	311,326	309,670	552,844
Current assests			
Properties under development	367,480	328,854	—
Trade and other receivables	76,850	760	3,570
Deposits paid for prepaid land lease payments	13,398	15,745	—
Due from a director	5	—	—
Due from a related company	69	—	—
Financial assets at fair value through profit or loss	6,109	—	—
Bank and cash balances	355,158	242,212	3,476
	819,069	587,571	7,046
Current liabilities			
Trade and other payables	21,654	13,302	12,317
Current tax liabilities	573	584	148
Due to directors	3,930	12,454	11,570
Due to a related company	12,792	23,288	252,528
Due to a minority shareholder	31,402	—	—
Bank loans — due within one year	303,030	1,473	1,101
	373,381	51,101	277,661
Net current assets/(liabilities)	445,688	536,470	(270,615)
Total assets less current liabilities	757,014	846,140	282,229

	Years ended 31 March		
	2007	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	(unaudited and restated)	(unaudited and restated)
Non-current liability			
Bank loans — due after one year	—	303,648	10,266
Deferred tax liabilities	29,020	26,572	19,729
	29,020	330,220	29,995
Net assets	727,994	515,920	252,234
Capital and reserves			
Share capital and reserves attributable to equity holders of the Company	521,294	319,994	175,608
Minority interests	206,700	195,926	76,626
Total equity	727,994	515,920	252,234

Notes:

(1) As stated in the Company's 2007 annual report and its circular dated 31 March 2006, the Company issued 5,080,000,000 shares at par value of HK$0.01 each as consideration to acquire Grand Hope Group Limited and its subsidiaries (the ''Grand Hope Group'') from He Fu International Limited (''He Fu'') and the acquisition was completed on 6 June 2006. As the Company and Grand Hope Group were both ultimately controlled by He Fu before and after the acquisition, the acquisition was accounted for as a combination of entities under common control. Therefore, figures for the three years ended 31 March 2007 were prepared based on the principles of merger accounting in accordance with the Accounting Guideline 5 ''Merger Accounting for Common Control Combinations'' issued by the Hong Kong Institute of Certified Public Accountants (the ''HKICPA''), as if the acquisition had occurred from the date when the combining entities first came under the control of He Fu.

(2) Figures for 2007 and 2006 are extracted from the 2007 annual report of the Company. The 2006 figures presented in the 2007 financial statements had been restated for comparative purpose to reflect the acquisition of Grand Hope Group. The auditors of the Company had performed appropriate audit procedures for the 2006 comparative figures and the opening balances of the financial statements for the year 2007 in accordance with the relevant Hong Kong Standards on Auditing issued by the HKICPA. The Directors of the Company are of the view and the auditors of the Company concurred that, the 2007 financial statements which include the 2006 comparative figures, provide a true and fair view of the state of affairs of the Group and of the results of its operations and its cashflows.

(3) Figures for year 2005 had been adjusted to reflect the changes in accounting policies in relation to the first adoption of HKAS 40 ''Investment property'' and HKAS 16 ''Property, Plant and Equipment'' and had reflected the acquisition of Grand Hope Group. The adjustments had been made by combining the consolidated income statement and consolidated balance sheet of the Company for the year ended 31 March 2005 as extracted from its annual report for year 2006 and the consolidated income statement and consolidated balance sheet of Grand Hope Group for the year ended 31 March 2005 as extracted from the accountants' report on Grand Hope Group as set out in Appendix I of the Company's circular dated 31 March 2006. The following summaries the adjustments for the combined 2005 figures on the above basis:

Consolidated income statement

	The Group	**Grand Hope Group**	**Combined**
	HK'000	*HK'000*	*HK'000*
Turnover	3,884	2,865	6,749
Cost of sale and service	(2,149)	(143)	(2,292)
Gross Profit	1,735	2,722	4,457
Other income	—	129	129
Administrative expenses	(13,191)	(3,522)	(16,713)
(Deficit)/surplus arising on revaluation of investment properties	(18,420)	64,675	46,255
Profit from operations	(29,876)	64,004	34,128
Finance costs	(391)	—	(391)
Profit before tax	(30,267)	64,004	33,737
Income tax expenses	—	(19,910)	(19,910)
Profit/(loss) for the year	(30,267)	44,094	13,827
Attributable to:			
Equity holders of the Company	(30,267)	31,268	1,001
Minority interests	—	12,826	12,826
	(30,267)	44,094	13,827

Consolidated balance sheet

	The Group	Grand Hope Group	Combined
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets			
Property, plant and equipment	363	344	707
Prepaid lease payments	—	360,406	360,406
Properties under development	—	31,075	31,075
Investment properties	18,190	130,000	148,190
Deposits for acquisition of property, plant and equipment	—	12,466	12,466
	18,553	534,291	552,844
Current assets			
Trade and other receivables	607	2,963	3,570
Bank and cash balances	64	3,412	3,476
	671	6,375	7,046
Current liabilities			
Trade and other payables	6,827	5,487	12,314
Current tax liabilities	—	148	148
Due to directors	11,570	—	11,570
Due to related companies	447	252,081	252,528
Bank loans — due within one year	1,101	—	1,101
	19,945	257,716	277,661
Net current liabilities	(19,274)	(251,341)	(270,615)
Total assets less current liabilities	(721)	282,950	282,229
Non-current liabilities			
Bank loans — due after one year	10,266	—	10,266
Deferred tax liabilities	—	19,729	19,729
	10,266	19,729	29,995
Net assets/(liabilities)	(10,987)	263,221	252,234
Capital and reserves			
Share capital and reserves attributable to equity holders of the Company	(10,987)	186,595	175,608
Minority interests	—	76,626	76,626
Total equity	(10,987)	263,221	252,234

(B) SUMMARY OF AUDITED FINANCIAL STATEMENTS

Set out below is the audited financial statements together with the relevant notes to the financial statements of the Group as extracted from the annual report of the Company for the year ended 31 March 2007.

Consolidated Profit and Loss Account

For the year ended 31 March 2007

	Note	2007 HK$'000	2006 HK$'000 (Unaudited and restated)
Turnover	7	15,933	236,468
Cost of sales and service		(5,314)	(224,367)
Gross profit		10,619	12,101
Other income	8	33,337	20,917
Administrative expenses		(19,758)	(13,025)
Profit from operations	10	24,198	19,993
Finance costs	11	(951)	(718)
Profit before tax		23,247	19,275
Income tax expense	12	(2,571)	(7,879)
Profit for the year		20,676	11,396
Attributable to:			
Equity holders of the Company		18,508	6,419
Minority interests		2,168	4,977
		20,676	11,396
Earnings per share			
Basic	14	0.28 cents	0.12 cents
Diluted	14	N/A	N/A

Consolidated Balance Sheet
As at 31 March 2007

	Note	2007 HK$'000	2006 HK$'000 (Unaudited and restated)
Non-current assets			
Property, plant and equipment	16	149,710	137,147
Investment properties	17	161,616	172,523
		311,326	309,670
Current assets			
Properties under development	18	367,480	328,854
Trade and other receivables	20	76,850	760
Deposits paid for prepaid land lease payments	21	13,398	15,745
Due from a director	22	5	—
Due from a related company	23	69	—
Financial assets at fair value through profit or loss	24	6,109	—
Bank and cash balances	25	355,158	242,212
		819,069	587,571
Current liabilities			
Trade and other payables	26	21,654	13,302
Current tax liabilities		573	584
Due to directors	36(b)	3,930	12,454
Due to related companies	36(b)	12,792	23,288
Due to a minority shareholder	36(b)	31,402	—
Bank loans	27	303,030	1,473
		373,381	51,101
Net current assets		445,688	536,470
Total assets less current liabilities		757,014	846,140
Non-current liabilities			
Bank loans	27	—	303,648
Deferred tax liabilities	28	29,020	26,572
		29,020	330,220
NET ASSETS		727,994	515,920
Capital and reserves			
Share capital	30	68,760	51,760
Reserves	31(a)	452,534	268,234
Equity attributable to equity holders of the Company		521,294	319,994
Minority interests		206,700	195,926
TOTAL EQUITY		727,994	515,920

Consolidated Statement of Changes in Equity

For the Year ended 31 March 2007

	Attributable to equity holders of the Company										
	Share capital *(Note 30)* *HK$'000*	**Share premium account** *(Note 31(c))* *HK$'000*	**Merger reserve** *(Note 31(c))* *HK$'000*	**Capital reserve** *(Note 31(c))* *HK$'000*	**Property revaluation reserve** *(Note 31(c))* *HK$'000*	**Foreign currency translation reserve** *HK$'000*	**Statutory reserve** *(Note 31(c))* *HK$'000*	**Retained profits/ (accumulated losses)** *HK$'000*	**Total** *HK$'000*	**Minority interests** *HK$'000*	**Total** *HK$'000*
At 1 April 2005, as previously reported	95,985	90,660	—	—	2,672	—	—	(200,304)	(10,987)	—	(10,987)
Effect on merger of equity interests in subsidiaries *(Note 3)*	50,800	2,235,200	(2,286,000)	155,580	—	—	8	31,088	186,676	76,660	263,336
At 1 April 2005, as restated	146,785	2,325,860	(2,286,000)	155,580	2,672	—	8	(169,216)	175,689	76,660	252,349
Exchange differences arising on translation of foreign operations and net income recognised directly in equity	—	—	—	—	—	5,921	—	—	5,921	2,304	8,225
Profit for the year	—	—	—	—	—	—	—	6,419	6,419	4,977	11,396
Total recognised income and expense for the year	—	—	—	—	—	5,921	—	6,419	12,340	7,281	19,621
Consolidation of shares and reduction in capital *(note 30 (a))*	(95,025)	95,025	—	—	—	—	—	—	—	—	—
Capital contributed by a minority shareholder	—	—	—	131,965	—	—	—	—	131,965	111,985	243,950
Transfer	—	—	—	—	—	—	514	(514)	—	—	—
	(95,025)	95,025	—	131,965	—	—	514	(514)	131,965	111,985	243,950
At 31 March 2006 (unaudited and restated)	51,760	2,420,885	(2,286,000)	287,545	2,672	5,921	522	(163,311)	319,994	195,926	515,920
At 1 April 2006, as previously reported	960	185,685	—	—	2,672	—	—	(205,556)	(16,239)	—	(16,239)
Effect on merger of equity interests in subsidiaries *(Note 3)*	50,800	2,235,200	(2,286,000)	287,545	—	5,921	522	42,245	336,233	195,926	532,159
At 1 April 2006, as restated	51,760	2,420,885	(2,286,000)	287,545	2,672	5,921	522	(163,311)	319,994	195,926	515,920
Share issue expenses paid	—	(1,716)	—	—	—	—	—	—	(1,716)	—	(1,716)
Exchange differences arising on translation of foreign operations	—	—	—	—	—	14,508	—	—	14,508	8,606	23,114
Net income and expenses recognised directly in equity	—	(1,716)	—	—	—	14,508	—	—	12,792	8,606	21,398
Profit for the year	—	—	—	—	—	—	—	18,508	18,508	2,168	20,676
Total recognised income and expense for the year	—	(1,716)	—	—	—	14,508	—	18,508	31,300	10,774	42,074
Issue of shares on placement	17,000	153,000	—	—	—	—	—	—	170,000	—	170,000
Realised on disposal of property	—	—	—	—	(2,672)	—	—	2,672	—	—	—
Transfer	—	—	—	—	—	—	307	(307)	—	—	—
	17,000	153,000	—	—	(2,672)	—	307	2,365	170,000	—	170,000
At 31 March 2007	68,760	2,572,169	(2,286,000)	287,545	—	20,429	829	(142,438)	521,294	206,700	727,994

Consolidated Cash Flow Statement
For the Year ended 31 March 2007

	2007	2006
	HK$'000	*HK$'000*
		(Unaudited and restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	23,247	19,275
Adjustments for:		
Depreciation	661	66
Interest income	(6,887)	(472)
Interest expenses	951	718
Fair value gain on investment properties	(2,020)	(20,129)
Gain on disposals of financial assets at fair value through profit or loss	(8,896)	—
Gain on disposals of property and investment properties	(12,788)	—
Operating loss before working capital changes	(5,732)	(542)
Additions to properties under development	(21,312)	(49,870)
(Increase)/decrease in trade and other receivables	(1,803)	6,777
Increase in amount due from a director	(5)	—
Increase in amount due from a related company	(69)	—
Increase/(decrease) in trade and other payables	7,924	(6,158)
(Decrease)/increase in amounts due to directors	(8,524)	884
Decrease in amounts due to related companies	(11,028)	(242,224)
Increase in amount due to a minority shareholder	31,402	—
Cash used in operations	(9,147)	(291,133)
Interest paid	(951)	(718)
Income tax paid	(1,314)	(1,208)
Net cash used in operating activities	(11,412)	(293,059)
CASH FLOWS FROM INVESTING ACTIVITIES		
Loan granted to an unrelated company	(73,000)	—
Net proceeds from disposal of property and investment properties	32,771	—
Purchase of financial assets at fair value through profit or loss	(72,386)	—
Sales of financial assets at fair value through profit or loss	75,173	—
Purchases of property, plant and equipment	(7,698)	(5,537)
Interest received	5,608	472
Net cash used in investing activities	(39,532)	(5,065)

	2007	2006
	HK$'000	*HK$'000*
		(Unaudited and restated)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	170,000	—
Share issue expenses paid	(1,716)	—
Repayment of bank loans	(14,706)	(1,142)
Bank loans raised	—	289,361
Capital injection from a minority shareholder of a subsidiary	—	243,950
Net cash generated from financing activities	153,578	532,169
NET INCREASE IN CASH AND CASH EQUIVALENTS	102,634	234,045
Effect of foreign exchange rate changes	10,312	4,691
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	242,212	3,476
CASH AND CASH EQUIVALENTS AT 31 MARCH	355,158	242,212
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	355,158	242,212

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2007

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands and redomiciled to Bermuda as an exempted company with limited liability under the Companies Act of Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The address of its principal place of business is Unit 2112, 21/F, Two Pacific Place, 88 Queensway, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the ''Stock Exchange'').

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 37 to the financial statements.

In the opinion of the directors of the Company, as at 31 March 2007, He Fu International Limited (''He Fu''), a company incorporated in the British Virgin Islands, is the immediate and ultimate parent and Mr. Zhang Hong Wei is the ultimate controlling party of the Company.

2. ADOPTION OF NEW AND REVISED HKFRSS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (''HKFRSs'') issued by the Hong Kong Institute of Certified Public Accountants (the ''HKICPA'') that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2006. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the current year and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The directors anticipate that the adoption of these new and revised HKFRSs in future periods will not have material impact on the financial statements of the Group.

3. BASIS OF PREPARATION

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

Grand Hope Group is principally engaged in the investment holding, property development and investment and wholesale of household building materials.

As the Company and Grand Hope Group were both ultimately controlled by He Fu before and after the Acquisition, the Acquisition was accounted for as a combination of entities under common control. The financial statements of the Group have been prepared based on the principles of merger accounting in accordance with the Accounting Guideline 5 ''Merger Accounting for Common Control Combinations'' issued by the HKICPA, as if the Acquisition had occurred from the date when the combining entities first came under the control of He Fu. Comparative figures have been restated accordingly.

4. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with HKFRSs, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Listing Rules and by the Hong Kong Companies Ordinance.

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

The preparation of financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires management to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these financial statements, are disclosed in note 5 to the financial statements.

The significant accounting policies applied in the preparation of these financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 March. Subsidiaries are entities over which the Group has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill relating to the subsidiary which was not previously charged or recognised in the consolidated income statement and also any related accumulated foreign currency translation reserve.

Inter-company transactions, balances and unrealised profits on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interests represent the interests of minority shareholders in the operating results and net assets of subsidiaries. Minority interests are presented in the consolidated balance sheet and consolidated statement of changes in equity within equity. Minority interests are presented in the consolidated income statement as an allocation of profit or loss for the year between minority and shareholders of the Company. Losses applicable to the minority in excess of the minority's interests 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. If the subsidiary subsequently reports profits, such profits are allocated to the interests of the Group until the minority's share of losses previously absorbed by the Group has been recovered.

(b) Merger Accounting for Common Control Combinations

The consolidated financial statements incorporate the financial statements of the combining entities in which the common control combination occurs as if they had been combined from the date when the combining entities first came under the control of the controlling party.

The net assets of the combining entities are combined using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated income statement includes the results of each of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities had been combined at the previous balance sheet date or when they first came under common control, whichever is shorter.

An uniform set of accounting policies is adopted by those entities. All intra-group transactions, balances and unrealised gains on transactions between combining entities or businesses are eliminated on consolidation.

(c) Joint Venture

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control. Joint control is the contractually agreed sharing of control over the economic activity when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control.

In respect of interests in jointly controlled operations, the Group recognises in its financial statements, the assets that it controls and the liabilities that it incurs; and the expenses that it incurs and its share of the income that it earns from the sale of goods or services by the joint venture.

(d) Foreign Currency Translation

(i) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the ''functional currency''). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(ii) *Transactions and balances in each entity's financial statements*

Transactions in foreign currencies are translated into the functional currency using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the rates ruling on the balance sheet date. Profits and losses resulting from this translation policy are included in the consolidated income statement.

Translation differences on non-monetary items, such as equity instruments classified as financial assets at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equity instruments classified as available-for-sale financial assets, are included in the investment revaluation reserve in equity.

(iii) *Translation on consolidation*

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

— Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

— Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

— All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in the consolidated income statement as part of the profit or loss on disposal.

(e) Investment Properties

Investment properties are land and/or buildings held to earn rentals and/or for capital appreciation. An investment property is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, the investment property is stated at its fair value based on valuation by an external independent valuer. Gains or losses arising from changes in fair value of the investment property are included in the consolidated income statement for the period in which they arise.

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

If an investment property becomes owner-occupied or a property held for sale, it is reclassified as property, plant and equipment or properties held for sale as appropriate, and its fair value at the date of reclassification becomes its cost for accounting purposes.

Property that is being constructed or developed for future use as investment property is classified as investment properties under construction in property, plant and equipment and stated at cost less impairment losses until construction or development is completed, at which time it is reclassified as an investment property at fair value. The difference between the fair value and the previous carrying amount is recognised in the consolidated income statement.

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in the consolidated income statement.

(f) Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the consolidated income statement during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal residual values and annual depreciation rates are as follows:

	Residual values	**Annual depreciation rate**
Property	—	Over the remaining unexpired terms of the leases or forty years, whichever is the shorter
Leasehold improvements	—	33.3%
Motor vehicles	0%–3%	12.5%
Furniture, fixtures and equipment	0%–3%	20%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each balance sheet date.

Investment properties under construction represents properties being constructed or developed for future use as investment properties, and is stated at cost less impairment losses.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the consolidated income statement.

(g) Properties Under Development

Properties under development are stated at the lower of cost and net realisable value. Costs include acquisition costs, prepaid land lease payments, construction costs, borrowing costs capitalised and other direct costs attributable to such properties. Net realisable value is determined by reference to sale proceeds received after the balance sheet date less selling expenses, or by management estimates based on prevailing market condition. On completion, the properties are reclassified to properties held for sale at the then carrying amount.

(h) Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

Financial assets at fair value through profit or loss are either investments held for trading or designated as at fair value through profit or loss upon initial recognition. These investments are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in the consolidated income statement.

(i) Trade and Other Receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in the consolidated income statement.

Impairment losses are reversed in subsequent periods and recognised in the consolidated income statement when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

(j) Cash and Cash Equivalents

For the purpose of the cash flow statement, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

(k) Financial Liabilities and Equity Instruments

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

(l) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(m) Trade and Other Payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(n) Equity Instruments

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

(o) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Rental income is recognised on a straight-line basis over the lease term.

Property management service fee income is recognised when the services are rendered.

Revenues from the wholesale of household building materials are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

Interest income is recognised on a time-proportion basis using the effective interest method.

(p) Employee Benefits

(i) *Employee leave entitlements*

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) *Pension obligations*

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to the consolidated income statement represents contributions payable by the Group to the funds.

(iii) *Termination benefits*

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(q) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sales, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specified borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in consolidated income statement in the period in which they are incurred.

(r) Taxation

Income tax represents the sum of the current tax 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 financial statements and the corresponding tax bases 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, unused tax losses or unused tax credits 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 associates, 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 is realised, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to the consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(s) Related Parties

A party is related to the Group if:

(i) directly or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Group; has an interest in the Group that gives it significant influence over the Group; or has joint control over the Group;

(ii) the party is an associate;

(iii) the party is a joint venture;

(iv) the party is a member of the key management personnel of the Company or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

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

(t) Segment Reporting

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

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

Segment revenue, expenses, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to the segment. Unallocated costs mainly represent corporate expenses. Segment assets consist primarily of property, plant and equipment, investment properties, properties under development, trade and other receivables, deposits paid for prepaid land lease payments and bank and cash balances. Segment liabilities comprise operating liabilities and exclude items such as tax liabilities and corporate borrowings.

Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between Group enterprises within a single segment. Inter-segment pricing is based on terms mutually agreed between the segments.

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

(u) Impairment of Assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets except investment properties, properties under development, receivables and investments to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit 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 (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in the consolidated income statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(v) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

(i) *The Group as lessee*

Lease payments (net of any incentives received from the lessor) are expensed in the consolidated income statement on a straight-line basis over the lease term.

(ii) *The Group as lessor*

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

(w) Provisions and Contingent Liabilities

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

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

(x) Events After the Balance Sheet Date

Events after the balance sheet date that provide additional information about the Group's position at the balance sheet date or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the balance sheet date that are not adjusting events are disclosed in the notes to the financial statements when material.

5. CRITICAL JUDGEMENT AND KEY ESTIMATES

Critical Judgements in Applying Accounting Policies

In the process of applying the accounting policies, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimation, which are dealt with below).

(a) *Distinction between investment properties, properties under development and property, plant and equipment*

The Group determines whether a properties qualifies as investment properties, properties under development or property, plant and equipment. In making its judgement, the Group has developed criteria to exercise judgement for the classification.

Investment properties are held to earn rentals or for capital appreciation or both while properties under development are intended for development and resale within the normal operating cycle. Properties that are being constructed or developed for future use as investment properties are classified as investment properties under construction in property, plant and equipment.

Key Sources of Estimation Uncertainty

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.

(a) *Estimate of fair value of investment properties and net realisable value of properties under development*

The directors of the Company appointed an independent professional valuer to assess the fair value of the investment properties and the net realisable value of the properties under development. In determining the fair value and the net realisable value, the valuer has utilised a method of valuation which involves certain estimates. The directors of the Company have exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions.

(b) *Income tax*

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the periods in which such determination is made.

6. FINANCIAL RISK MANAGEMENT

The Group‘s activities expose it to a variety of financial risks: interest rate risk, liquidity risk, credit risk, price risk and foreign currency risk. The Group’s overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group’s financial performance.

(a) Interest Rate Risk

The Group’s exposure to changes in interest rates is mainly attributable to its bank balances and bank loans. Bank balances and bank loans at variable rates expose the Group to cash flow interest-rate risk.

The Group’s has not used any interest rate swaps to hedge its exposure to interest rate risk.

(b) Liquidity Risk

The Group’s policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and long term.

(c) Credit Risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that sales and advances are made to customers and third parties with an appropriate credit history.

The carrying amount of the trade and other receivables included in the consolidated balance sheet represents the Group’s maximum exposure to credit risk in relation to the Group’s financial assets.

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

(d) Price Risk

The Group’s financial assets at fair value through profit or loss are measured at fair value at each balance sheet date. Therefore, the Group is exposed to equity security price risk. The directors manage this exposure by maintaining a portfolio of investments with difference risk profiles.

(e) Foreign Currency Risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in Hong Kong dollars and Renminbi (''RMB''). Nevertheless, the exchange rate of RMB to Hong Kong dollars is subject to rules and regulations of foreign exchange control promulgated by the PRC government. The Group currently does not have a foreign currency hedging policy in respect of foreign currency debt. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(f) Fair Value

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated balance sheet approximate their respective fair values.

7. TURNOVER

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

	2007	**2006**
	HK$'000	*HK$'000* (Unaudited and restated)
Rental income	9,491	9,227
Property management service fee income	3,359	3,158
Wholesale of household building materials	3,083	224,083
	15,933	236,468

8. OTHER INCOME

	2007	**2006**
	HK$'000	*HK$'000* (Unaudited and restated)
Fair value gain on investment properties	2,020	20,129
Gain on disposals of property and investment properties	12,788	—
Gain on disposals of financial assets at fair value through profit or loss	8,896	—
Interest income	6,887	472
Others	2,746	316
	33,337	20,917

9. SEGMENT INFORMATION

(a) Primary Reporting Format — Business Segments

The Group is organised into three main business segments:

Property development	—	The property development segment engages in development of commercial properties for sales;
Property investment	—	The property investment segment invests in commercial properties for their rental income, property management service fee and value appreciation potential;
Wholesale of household building materials	—	The wholesale of household building materials segment engages in trading of household building materials on indent basis.

(b) Secondary Reporting Format — Geographical Segments

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

Primary Reporting Format — Business Segments:

	Property development *HK$'000*	Property investment *HK$'000*	Wholesale of household building materials *HK$'000*	Consolidated *HK$'000*
Year ended 31 March 2007				
Total revenue	—	12,850	3,083	15,933
Segment results before fair value gain on investment properties and gain on disposals of property and investment properties	(5,568)	7,131	(365)	1,198
Gain on disposals of property and investment properties	—	12,788	—	12,788
Fair value gain on investment properties	—	2,020	—	2,020
Segment results	(5,568)	21,939	(365)	16,006
Other income				18,529
Unallocated expenses				(10,337)
Profit from operations				24,198
Finance costs				(951)
Profit before tax				23,247
At 31 March 2007				
Segment assets	544,537	189,744	245,916	980,197
Unallocated assets				150,198
Total assets				1,130,395
Segment liabilities	18,196	1,202	107	19,505
Unallocated liabilities				382,896
Total liabilities				402,401
Other segment information:				
Capital expenditure	5,755	1,943	—	7,698
Depreciation	76	582	3	661

	Property development *HK$'000* (Unaudited and restated)	**Property investment** *HK$'000* (Unaudited and restated)	**Wholesale of household building materials** *HK$'000* (Unaudited and restated)	**Consolidated** *HK$'000* (Unaudited and restated)
Year ended 31 March 2006				
Total revenue	—	12,385	224,083	236,468
Segment results before fair value gain on investment properties	(3,380)	7,839	1,011	5,470
Fair value gain on investment properties	—	20,129	—	20,129
Segment results	(3,380)	27,968	1,011	25,599
Other income				788
Unallocated expenses				(6,394)
Profit from operations				19,993
Finance costs				(718)
Profit before tax				19,275
At 31 March 2006				
Segment assets	486,068	177,429	231,250	894,747
Unallocated assets				2,494
Total assets				897,241
Segment liabilities	9,665	1,137	170	10,972
Unallocated liabilities				370,349
Total liabilities				381,321
Other segment information:				
Capital expenditure	5,523	1	13	5,537
Depreciation	41	23	2	66

10. PROFIT FROM OPERATIONS

Profit from operations is arrived at after charging the following:

	2007	2006
	HK$'000	*HK$'000*
		(Unaudited and restated)
Auditors' remuneration		
— Current	915	888
— Underprovision in prior year	214	9
	1,129	897
Depreciation	661	66
Directors' emoluments *(Note 13)*	2,934	2,170
Operating lease rentals paid in respect of rented premises *(Note)*	1,204	33
Staff costs including directors' emoluments		
Salaries, bonuses and allowances *(Note)*	5,208	4,195
Retirement benefits scheme contributions	267	472
Direct operating expenses of investment properties that generate rental income (include in cost of sales and service in consolidated income statement)	2,264	2,326

Note: The amount includes the accommodation benefits provided to a director amounting to HK$206,000 (2006: HK$Nil) which is included in the directors' emoluments.

11. FINANCE COSTS

	2007	2006
	HK$'000	*HK$'000*
		(Unaudited and restated)
Interest on bank loans	19,147	20,399
Amount capitalised	(18,196)	(19,681)
	951	718

Borrowing costs on funds borrowed generally are capitalised at a rate of 6% per annum (2006: 6.9%).

12. INCOME TAX EXPENSE

	2007	2006
	HK$'000	*HK$'000*
		(Unaudited and restated)
Current tax — PRC enterprise income tax		
Provision for the year	1,306	1,479
(Over)/under-provision in prior years	(28)	152
	1,278	1,631
Deferred tax *(Note 28)*	1,293	6,248
	2,571	7,879

No provision for profits tax in the Bermuda, the British Virgin Islands or Hong Kong is required as the Group has no assessable profit arising in or derived from these jurisdictions for the year ended 31 March 2007 (2006: HK$Nil).

Pursuant to relevant laws and regulations in the PRC, the subsidiaries in the PRC are required to pay PRC enterprise income tax at a rate of 30% of notional income tax plus 3% of local income tax.

Pursuant to relevant laws and regulations in the PRC, a subsidiary of the Group, Shenyang Dadongfang Property Development Company Limited (''Shenyang Dadongfang''), is exempted from PRC enterprise local income tax for the five years from its first profit-making year and thereafter are entitled to a 50% relief from PRC enterprise local income tax for the following sixth to eighth years. Shenyang Dadongfang was in its second profit-making year for the financial year ended 31 March 2007 and was therefore entitled to a full relief from PRC enterprise local income tax. The tax rate applicable to Shenyang Dadongfang, after the full relief of 3% of local income tax, was 30% (2006: 30%).

No preferential enterprise income tax was granted to other PRC subsidiary, the tax rate applicable to the other subsidiary in the PRC is 33% (2006: 33%).

As the Group's major operations are located in and the Group's major income is derived from the PRC, the applicable tax rate to the Group was the PRC statutory tax rate of 33% during the year. The reconciliation between the income tax expense and the product of profit before tax at the PRC enterprise income tax rate is as follows:

	2007	**2006**
	HK$'000	*HK$'000*
		(Unaudited and restated)
Profit before tax	23,247	19,275
Tax at the statutory PRC enterprise income tax rate of 33% (2006: 33%)	7,671	6,361
Tax effect of income that is not taxable	(4,207)	(484)
Tax effect of expenses that are not deductible	3,275	1,270
Tax effect of tax losses not recognised	216	449
Tax effect of utilisation of tax losses not previously recognised	(883)	—
(Over)/under-provision in prior years	(28)	152
Effect of different tax rates of subsidiaries	(3,284)	815
Tax effect of tax preferential period	(189)	(684)
Income tax expense	2,571	7,879

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments of each director were as follow:

	Fees	**Salaries and other benefits**	**Retirement benefits scheme contributions**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 March 2007				
Executive directors:				
Mr. Zhang Hong Wei	1,000	—	—	1,000
Mr. Guan Guo Liang *(Note c)*	—	—	—	—
Mr. Wong Wing Ming *(Note b)*	—	—	—	—
Mr. Zhu Jun	540	—	—	540
Ms. Zhang Mei Ying *(Note a)*	768	257	9	1,034
	2,308	257	9	2,574
Independent non-executive directors:				
Mr. Chau Siu Wai	120	—	—	120
Mr. San Fung	120	—	—	120
Mr. Zhu Cheng Wu	120	—	—	120
	360	—	—	360
	2,668	257	9	2,934

Notes:

a. Appointed on 19 June 2006

b. Resigned on 30 June 2006

c. Resigned on 18 August 2006

	Fees	Salaries and other benefits	Retirement benefits scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 March 2006				
Executive directors				
Mr. Zhang Hong Wei	1,000	—	—	1,000
Mr. Guan Guo Liang	600	—	—	600
Mr. Wong Wing Ming	—	—	—	—
Mr. Zhu Jun *(Note b)*	270	—	—	270
	1,870	—	—	1,870
Independent non-executive directors:				
Mr. Chan Ka Si *(Note c)*	—	—	—	—
Mr. Chau Siu Wai	120	—	—	120
Mr. San Fung	120	—	—	120
Mr. Zhu Cheng Wu *(Note a)*	60	—	—	60
	300	—	—	300
	2,170	—	—	2,170

Notes:

a. Appointed on 5 December 2005

b. Appointed on 20 October 2005

c. Resigned on 28 October 2005

There was no arrangement under which a director waived or agreed to waive any emoluments during the years ended 31 March 2007 and 2006.

The five highest paid individuals in the Group during the year included 3 (2006: 3) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining 2 (2006: 2) individuals are set out below:

	2007	**2006**
	HK$'000	*HK$'000*
		(Unaudited and restated)
Salaries and other benefits	482	260
Retirement benefits scheme contributions	20	31
	502	291

The emoluments fell within the following band:

	Number of individuals	
	2007	**2006**
		(Unaudited and restated)
Nil to HK$1,000,000	2	2

During the years ended 31 March 2007 and 2006, no emoluments were paid by the Group to any of the directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

14. EARNINGS PER SHARE

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

	2007	**2006**
	HK$'000	*HK$'000*
		(Unaudited and restated)
Earnings		
Profit attributable to equity holders of the Company	18,508	6,419

	2007	**2006**
Number of shares		
Weighted average number of ordinary shares	6,568,586,476	5,175,985,375

In determining the weighted average number of ordinary shares in issue, the 5,080,000,000 ordinary shares as consideration of the Acquisition (note 3) were deemed to be in issue since 1 April 2005.

No diluted earnings per share are presented as the Company did not have any dilutive potential ordinary share during the two years ended 31 March 2007.

15. DIVIDEND

No dividend has been paid or declared by the Company during the year (2006: HK$Nil).

16. PROPERTY, PLANT AND EQUIPMENT

	Property	Leasehold improvements	Motor vehicles	Furniture, fixtures and equipment	Investment properties under construction	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost						
At 1 April 2005 (unaudited and restated)	390	—	—	273	127,086	127,749
Additions	—	—	—	17	5,520	5,537
Transfer from investment properties	60	—	—	—	—	60
Exchange differences	—	—	—	9	3,921	3,930
At 31 March 2006 (unaudited and restated)	450	—	—	299	136,527	137,276
Additions	—	1,441	187	668	5,402	7,698
Disposals	(450)	—	—	—	—	(450)
Exchange differences	—	—	—	13	5,930	5,943
At 31 March 2007	—	1,441	187	980	147,859	150,467
Accumulated depreciation						
At 1 April 2005 (unaudited and restated)	27	—	—	34	—	61
Charge for the year	10	—	—	56	—	66
Exchange differences	—	—	—	2	—	2
At 31 March 2006 (unaudited and restated)	37	—	—	92	—	129
Charge for the year	—	480	15	166	—	661
Disposals	(37)	—	—	—	—	(37)
Exchange differences	—	—	—	4	—	4
At 31 March 2007	—	480	15	262	—	757
Carrying amount						
At 31 March 2007	—	961	172	718	147,859	149,710
At 31 March 2006 (unaudited and restated)	413	—	—	207	136,527	137,147

At 31 March 2007, the carrying amount of property, plant and equipment pledged as security for the Group's bank loans amounted to approximately HK$102,101,000 (2006: HK$98,264,000).

At 31 March 2007, the carrying amount of prepaid land lease payments included in investment properties under construction which amounted to approximately HK$131,937,000 (2006: HK$126,445,000) represents payments for land use rights outside Hong Kong under medium term leases.

17. INVESTMENT PROPERTIES

	2007	2006
	HK$'000	*HK$'000* (Unaudited and restated)
At beginning of year	172,523	148,191
Transfer to property, plant and equipment	—	(60)
Disposal	(19,570)	—
Fair value gains	2,020	20,129
Exchange differences	6,643	4,263
At 31 March	161,616	172,523

The fair value of the Group's investment properties as at 31 March 2007 has been arrived at on the basis of a valuation carried out on that date by BMI Appraisals Limited, independent qualified professional valuers not connected with the Group. BMI Appraisals Limited is a member of The Hong Kong Institute of Surveyors, and has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation prepared in accordance with the HKIS Valuation Standards on Properties (First Edition 2005) published by The Hong Kong Institute of Surveyors, was arrived at by reference to market evidence of transaction prices for similar properties.

The Group's investment properties at their carrying amounts are analysed as follows:

	2007	2006
	HK$'000	*HK$'000* (Unaudited and restated)
Investment properties held under		
Medium-term leases in Hong Kong	—	19,570
Medium-term leases in the PRC	161,616	152,953
	161,616	172,523

At 31 March 2007, the carrying amount of investment properties pledged as security for the Group's bank loans amounted to HK$161,616,000 (2006: HK$172,523,000).

The Group's investment properties held as at 31 March 2007 are rented to an independent third party for periods up to 20 years. At 31 March 2007, the Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2007	2006
	HK$'000	*HK$'000* (Unaudited and restated)
Within one year	5,878	8,526
In the second to fifth years inclusive	24,198	24,103
After five years	82,887	85,351
	112,963	117,980

18. PROPERTIES UNDER DEVELOPMENT

	2007	2006
	HK$'000	*HK$'000* (Unaudited and restated)
At beginning of year	328,854	269,918
Additions	21,312	49,870
Transfer from deposits paid for prepaid land lease payments	3,030	—
Exchange differences	14,284	9,066
At 31 March	367,480	328,854

The Group's properties under development at their carrying amounts are analysed as follows:

	2007	2006
	HK$'000	*HK$'000* (Unaudited and restated)
Prepaid land lease payments	265,766	251,799
Construction costs and capitalised expenditures	66,133	55,587
Interests capitalised	35,581	21,468
	367,480	328,854

The Group's prepaid land lease payments represent payments for land use rights outside Hong Kong under medium term leases.

At 31 March 2007, the carrying amount of prepaid land lease payments pledged as security for the Group's bank loans amounted to approximately to HK$227,594,000 (2006: HK$218,120,000).

19. INTEREST IN A JOINTLY-CONTROLLED OPERATION

The Group entered into an agreement with Beijing Glory City Real Estate Company Limited (''北京國瑞興業地產有限公司'') (the ''joint venture partner'') for the development of a property in the PRC. Pursuant to the terms of the agreement, other than the funds already invested by the Group up to the date of agreement, the Group will contribute no further funds and the joint venture partner bears all the additional funding required which shall not be less than HK$1,010 million (equivalent to RMB1,000 million). At the balance sheet date, the aggregate amounts of assets recognised in the Group's financial statements in relation to the interest in the jointly-controlled operation are as follows:

	2007	2006
	HK$'000	*HK$'000* (Unaudited and restated)
Assets		
Property, plant and equipment	147,859	136,527
Properties under development	367,480	328,854
	515,339	465,381

20. TRADE AND OTHER RECEIVABLES

	2007	2006
	HK$'000	*HK$'000* (Unaudited and restated)
Trade receivables *(note a)*	32	40
Loan receivable *(note b)*	74,280	—
Deposits and other receivables	2,538	720
Total trade and other receivables	76,850	760

(a) The Group allows an average credit period of 30 days to its trade customers. The following is an aged analysis of trade receivables, based on invoice date:

	2007	2006
	HK$'000	*HK$'000* (Unaudited and restated)
Within 60 days	29	40
61 to 90 days	3	—
	32	40

(b) The loan receivable was secured, carrying interest at 8% per annum and repayable on or before 9 July 2007. The amount has been fully settled after the balance sheet date.

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

21. DEPOSITS PAID FOR PREPAID LAND LEASE PAYMENTS

	2007	2006
	HK$'000	*HK$'000* (Unaudited and restated)
At beginning of year	15,745	15,286
Transfer to properties under development	(3,030)	—
Exchange differences	683	459
At 31 March	13,398	15,745

The amounts represent deposits paid for acquisition of land parcels, of which land use right certificates have not been obtained. However, as advised by the PRC legal adviser, Beijing Gase Law Firm (''北京市中高盛律師事務所''), the Group can apply for a refund if the vendor is unable to procure land use right certificates in accordance with the relevant contracts.

22. DUE FROM A DIRECTOR

Amount due from a director disclosed pursuant to section 161B of the Hong Kong Companies Ordinance is as follows:

Name	**Terms of loan**	**Balance at 31 March 2007** *HK$'000*	**Balance at 1 April 2006** *HK$'000* (Unaudited and restated)	**Maximum amount outstanding during the year** *HK$'000*
Ms. Zhang Mei Ying	Unsecured, repayable on demand and interest-free	5	—	5

23. DUE FROM A RELATED COMPANY

Amount due from a related company disclosed pursuant to section 161B of the Hong Kong Companies Ordinance is as follows:

Name	**Name of director having beneficial interest**	**Balance at 31 March 2007** *HK$'000*	**Balance at 1 April 2006** *HK$'000* (Unaudited and restated)	**Maximum amount outstanding during the year** *HK$'000*
Oriental Harbour Holding Limited	Mr. Zhang Hong Wei	69	—	69

The above advance is unsecured, interest-free and has no fixed repayment terms.

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2007 *HK$'000*	**2006** *HK$'000* (Unaudited and restated)
Equity securities, at fair value		
Listed in Hong Kong and held for trading	6,109	—

The investments represent investments in listed equity securities that offer the Group the opportunity a return through dividend income and fair value gains. They have no fixed maturity or coupon rate. The fair values of the listed securities are based on quoted market prices.

25. BANK AND CASH BALANCES

At 31 March 2007, the bank and cash balances of the Group denominated in RMB amounted to approximately HK$264,590,000 (2006: HK$237,418,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

26. TRADE AND OTHER PAYABLES

	2007	2006
	HK$'000	*HK$'000*
		(Unaudited and restated)
Trade payables *(note a)*	7,664	6,814
Receipts in advance	10,101	2,213
Accrual and other payables	3,763	4,135
Salary and welfare payables	126	140
Total trade and other payables	21,654	13,302

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

	2007	2006
	HK$'000	*HK$'000*
		(Unaudited and restated)
Within 60 days	638	—
91 to 180 days	—	3,026
181 to 365 days	—	1,156
Over 365 days	7,026	2,632
	7,664	6,814

27. BANK LOANS

The bank loans are repayable as follows:

	2007	2006
	HK$'000	*HK$'000*
		(Unaudited and restated)
On demand or within one year	303,030	1,473
In the second year	—	291,992
In the third to fifth years, inclusive	—	5,412
After five years	—	6,244
	303,030	305,121
Less: Amounts due for settlement within one year (shown under current liabilities)	(303,030)	(1,473)
Amounts due for settlement after one year	—	303,648

The carrying amounts of the Group's bank loans are denominated in the following currencies:

	2007	2006
	HK$'000	*HK$'000*
		(Unaudited and restated)
Hong Kong dollars	—	14,705
Renminbi	303,030	290,416
	303,030	305,121

The effective interest rate as at 31 March 2007 is 6.27% (2006: 6.25%)

Bank loans are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

Bank loan of HK$303,030,000 (2006: HK$305,121,000) is secured by a charge over the Group's property, plant and equipment of HK$102,101,000 (2006: HK$98,264,000), investment properties of HK$161,616,000 (2006: HK$172,523,000) and properties under development of HK$227,594,000 (2006: HK$218,120,000) as disclosed in note 16, 17 and 18 to the financial statements respectively.

28. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities recognised by the Group, and the movements thereon, during the current and prior reporting periods.

	Investment properties
	HK$'000
At 1 April 2005 (unaudited and restated)	19,614
Charge to income statement for the year	6,248
Exchange differences	710
At 31 March 2006 (unaudited and restated)	26,572
Charge to income statement for the year	1,293
Exchange differences	1,155
At 31 March 2007	29,020

At the balance sheet date the Group has unused tax losses and other deductible temporary differences of approximately HK$15,867,000 and HK$743,000 respectively (2006: HK$17,231,000 and HK$945,000 respectively) that are available for offsetting against future taxable profits. No deferred tax assets have been recognised due to unpredictability of future profit streams. The unrecognised tax losses and other deductible temporary differences may be carried forward indefinitely.

29. BALANCE SHEET OF THE COMPANY

	Note	2007 HK$'000	2006 HK$'000
Investment in subsidiaries		2,286,010	10
Trade and other receivables		75,079	1
Financial assets at fair value through profit or loss		6,109	—
Due from a director		5	—
Due from a related company		69	—
Due from a subsidiary		16,219	5,557
Bank and cash balances		68,936	2,492
Trade and other payables		(2,124)	(2,315)
Due to directors		(3,930)	(12,454)
Due to a related company		—	(11,028)
NET ASSETS		2,446,373	(17,737)
Capital and reserves			
Share capital		68,760	960
Reserves	*31(b)*	2,377,613	(18,697)
TOTAL EQUITY		2,446,373	(17,737)

30. SHARE CAPITAL

	Note	Number of shares	Amount HK$'000
Authorised:			
Ordinary shares of HK$0.01 each			
At 1 April 2005		1,600,000,000	160,000
Consolidation of shares and reduction in capital	*(a)*	(1,440,000,000)	(95,025)
Division of shares	*(a)*	6,337,447,875	—
At 31 March 2006 and 1 April 2006		6,497,447,875	64,975
Increase in authorised share capital	*(b)*	13,502,552,125	135,025
At 31 March 2007		20,000,000,000	200,000
Issued and fully paid:			
Ordinary shares of HK$0.01 each			
At 1 April 2005, as previously reported		959,853,750	95,985
New shares issued in connection with the acquisition of Grand Hope Group	*(c)*	5,080,000,000	50,800
At 1 April 2005, as restated		6,039,853,750	146,785
Consolidation of shares and reduction in capital	*(a)*	(863,868,375)	(95,025)
At 31 March 2006 (unaudited and restated)		5,175,985,375	51,760
At 1 April 2006, as previously reported		95,985,375	960
New shares issued in connection with the acquisition of Grand Hope Group	*(c)*	5,080,000,000	50,800
At 1 April 2006, as restated		5,175,985,375	51,760
Issue of shares on placement	*(d)*	1,699,998,000	17,000
At 31 March 2007		6,875,983,375	68,760

(a) On 8 August 2005, the Company reorganised its capital structure as follows:

(i) consolidate 10 shares of the Company's ordinary shares of HK$0.10 each into 1 consolidated share of HK$1.00;

(ii) reduce the nominal value of each issued consolidated share from HK$1.00 share to HK$0.01; and

(iii) sub-divide each authorised but unissued consolidated share into 100 new shares.

(b) Pursuant to special resolutions passed on 11 May 2006, the authorised share capital of the Company was increased from HK$64,974,478 to HK$200,000,000 by the creation of 13,502,552,125 additional shares of HK$0.01 each, ranking pari passu in all respects with the existing share capital of the Company.

(c) As disclosed in note 3 to financial statements, the Company issued and allotted 5,080,000,000 new shares at HK$0.01 each to He Fu and credited as fully paid in consideration for acquisition of the entire interest in Grand Hope Group on 6 June 2006. The consolidated financial statements have been prepared under the merger accounting method. Accordingly, the share capital issued for the Acquisition is deemed to have been in issue throughout the accounting periods presented in these financial statements.

(d) On 6 June 2006, the Company issued and allotted 1,699,998,000 ordinary shares of HK$0.01 each through a placing of the Company's shares at a consideration of HK$0.10 per share. The Company received net proceeds of approximately HK$168,284,000 from this share issue.

31. RESERVES

(a) Group

The amounts of Group's reserves and the movements therein are presented in the consolidated statement of changes in equity.

(b) Company

	Share premium	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 April 2005	90,660	(197,795)	(107,135)
Consolidation of shares and reduction in capital	95,025	—	95,025
Loss for the year	—	(6,587)	(6,587)
At 31 March 2006	185,685	(204,382)	(18,697)
At 1 April 2006	185,685	(204,382)	(18,697)
Share issue expenses paid	(1,716)	—	(1,716)
Issue of shares on acquisition of subsidiaries	2,235,200	—	2,235,200
Issue of shares on placement	153,000	—	153,000
Profit for the year	—	9,826	9,826
At 31 March 2007	2,572,169	(194,556)	2,377,613

(c) Nature and Purpose of Reserves

(i) *Share premium account*

Share premium represents premium arising from the issue of shares at a price in excess of their par value per share and is not distributable but may be applied in paying up unissued shares of the Company to be issued to the shareholders of the Company as fully paid bonus shares or in providing for the premiums payable on repurchase of shares.

(ii) *Merger reserve*

Merger reserve represents the difference between the nominal value of the shares of subsidiary acquired and the market value of the shares issued by the Company as consideration for the acquisition.

(iii) *Capital reserve*

Capital reserve represents the aggregate of:

— the Group's share of additional equity contribution made from minority shareholder of a subsidiary, Shengyang Shengtaiyuan Logistic Company Limited on 19 April 2005; and

— the loan wavier made by an ultimate holding company, He Fu International Limited to a subsidiary, Grand Hope Group Limited.

(iv) *Statutory reserve*

Statutory reserve, which is non-distributable, is appropriated from the profit after taxation of the Company's PRC subsidiaries under the applicable laws and regulations in the PRC.

32. SHARE OPTION SCHEME

The Company's share option scheme (the ''Scheme'') was adopted pursuant to the shareholders' resolution passed on 11 May 2006 for the primary purpose of providing opportunity to directors and employees to acquire proprietary interests of the Group and will expire on 10 May 2016. Under the Scheme, the Board of Directors of the Company may grant options to eligible person (including all directors, employees of the Group, consultants, advisors, agents, customers, service providers, contractors and business partners of any members of the Group).

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 30% of the shares of the Company in issue from time to time. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual is not permitted to exceed 10% of the shares of the Company in issue from time to time.

The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the share for the five business dates immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

Share options granted to any directors, chief executive or substantial shareholder, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to substantial shareholders or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within 12 month period, are subject to shareholders' approval in advance in general meeting.

The offer of a grant of share options may be accepted within 30 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee.

Since the adoption of the Scheme and up to 31 March 2007, no options have been granted.

33. COMMITMENTS

The Group's commitments at the balance sheet dates are as follows:

	2007	2006
	HK$'000	*HK$'000*
		(Unaudited and restated)
Contracted but not provided for		
Construction costs	185,409	1,233
Prepaid land lease payments	353,298	338,592
	538,707	339,825

34. OPERATING LEASE COMMITMENTS

At the balance sheet dates the total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2007	2006
	HK$'000	*HK$'000*
		(Unaudited and restated)
Within one year	2,348	180
In the second to fifth years inclusive	9,980	170
	12,328	350

Operating lease payments represent rental payable by the Group for certain of its offices and staff quarter. Leases are negotiated for an average term of 2 years and rentals are fixed over the lease terms and do not include contingent rentals.

35. RETIREMENT BENEFITS SCHEME

Hong Kong

The Group participates in the Mandatory Provident Fund Scheme (the ''MPF Scheme'') established under the MPF Scheme Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. No forfeited contributions are available to reduce contributions payable in future years.

The Group's contribution under the MPF Scheme for the year amounted to HK$61,000 (2006: HK$38,000).

PRC

According to the relevant laws and regulations in the PRC, the Group's subsidiaries in the PRC are required to contribute a specified percentage of the payroll of their employees to the retirement benefits schemes to fund the retirement benefits of their employees. The only obligation of the Group with respect to the retirement benefits schemes is to make the required contributions under the respective schemes.

The Group's contribution under the respective schemes for the year amounted to HK$206,000 (2006: HK$434,000).

36. RELATED PARTY TRANSACTIONS

In additions to the transactions and balances detailed elsewhere in these financial statements, the Group had the following transactions with its related parties during the year:

(a) Transactions With Related Parties:

	2007 *HK$'000*	2006 *HK$'000* (Unaudited and restated)
Orient Home Investment Holding Company (Formerly known as Orient Home Company Limited)		
Sales of household building materials	—	34,603
Interest expenses paid	—	3,596
	—	38,199

A director, Mr. Zhang Hong Wei, has significant influence over the above related company.

(b) Balances with Related Parties:

The amounts due to related companies, directors and a minority shareholder are unsecured, interest-free and repayable on demand.

37. SUBSIDIARIES

Particulars of the subsidiaries as at 31 March 2007 are as follows:

Name of Subsidiary	Place of incorporation/ registration	Issued and fully paid share capital/ registration capital	Proportion of ownership interest Group's effective interest	Held by the Company	Held by subsidiaries	Principal activities
Fine Profit Corporation Limited	Hong Kong	HK$10,000	100%	100%	—	Property investment
Grand Hope Group Limited	British Virgin Islands	US$1	100%	100%	—	Investment holding
Shenyang Dadongfang Property Development Company Limited ("Dadongfang")	PRC	US$8,201,700	71%	—	71%	Property development and investment
Shenyang Shengtaiyuan Logistics Company Limited ("Shengtaiyuan")	PRC	RMB60,000,000	56.8%	—	80%	Wholesale of household building materials

Dadonfang is a sino-foreign equity joint venture and Shengtaiyuan is a domestic enterprise established in PRC.

38. POST BALANCE SHEET EVENTS

Pursuant to the PRC enterprise income tax law passed by the Tenth National People's Congress on 16 March 2007, the new enterprise income tax rates for domestic and foreign enterprises are unified at 25%, which will be effective from 1 January 2008. The impact of such change of enterprise income tax rate on the Group's consolidated financial statements will depend on the implementation details that have not been issued as of the date of the approval of these consolidated financial statements. Therefore, the Group cannot reasonably estimate the financial impact of the new tax law to the Group at this stage.

39. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 30 July 2007.

(C) 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 March 2007, being the date to which the latest published audited consolidated financial statements of the Group were made up.

(D) WORKING CAPITAL

The Directors are satisfied after due and careful enquiry that taking into account the present internal financial resources, the present available credit facilities of the Enlarged Group, the proceeds from the Placing and in the absence of unforeseen circumstances, the Enlarged Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of publication of this circular.

(E) INDEBTEDNESS

At the close of business on 31 July 2007 (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$664 million, comprising amounts due to directors of approximately HK$4 million, amount due to a corporate shareholder of approximately HK$269 million, amount due to a minority equity holder of approximately HK$69 million, amount due to a related company of approximately HK$13 million and a bank loan of approximately HK$309 million which is secured by the pledge of the Enlarged Group's property, plant and equipment, investment property and properties under development with total carrying value of HK$501 million as at 31 July 2007. Except for the bank loan, the amounts due are unsecured, interest free and have no fixed terms of repayment.

As at the close of business on 31 July 2007 (being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular), the Enlarged Group has total banking facilities of approximately HK$125 million in respect of issuance of performance bond for contract of production of crude oil. The Enlarged Group's cash at banks with carrying value of approximately HK$130 million were pledged for the banking facilities.

Save as aforesaid or otherwise disclosed in the paragraphs above, and apart from intra-group liabilities and normal trade payables in the ordinary course of the business, as at 31 July 2007 (being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular), the Enlarged Group had no other outstanding mortgages, charges, debentures or other loan capital, bank overdrafts or loans, other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, guarantees or other material contingent liabilities.

A. UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

The accompanying unaudited pro forma statement of assets and liabilities of the Enlarged Group (the ''Statement'') has been prepared to illustrate the effect of the Acquisition and the Placing, assuming the transactions had been completed as at 31 March 2007, might have affected the financial position of the Group.

The Statement is prepared based on the audited consolidated balance sheet of the Group as at 31 March 2007 as extracted from the annual report of the Company for the year ended 31 March 2007 and the audited balance sheet of United Petroleum as at 31 May 2007 as extracted from the Accountants' Report set out in Appendix I of the Circular after making certain proforma adjustments resulting from the Acquisition and the Placing.

The Statement is prepared based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes only. Accordingly, as a result of the nature of the Statement, it may not give a true picture of the actual financial position of the Enlarged Group that would have been attained had the Acquisition and the Placing actually occurred on 31 March 2007. Furthermore, the Statement does not purport to predict the Enlarged Group's future financial position.

The Statement should be read in conjunction with the financial information of the Group as set out in Appendix II of the Circular, the financial information of the United Petroleum as set out in Appendix I of the Circular and other financial information included elsewhere in the Circular.

	The Group as at 31 March 2007	United Petroleum as at 31 May 2007	Sub-total	Pro-forma adjustments		The Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
Non-current assets						
Property, plant and equipment	149,710	1,086	150,796			150,796
Investment properties	161,616	—	161,616			161,616
Deposits for acquisition of property, plant and equipment	—	4,461	4,461			4,461
	311,326	5,547	316,873	—		316,873
Current assets						
Properties under development	367,480	—	367,480			367,480
Trade and other receivables	76,850	267	77,117			77,117
Deposits paid for prepaid land lease payments	13,398	—	13,398			13,398
Due from a director	5	—	5			5
Due from a related company	69	—	69			69
Financial assets at fair value through profit or loss	6,109	—	6,109			6,109
Pledged bank deposits	—	129,148	129,148			129,148
Bank and cash balances	355,158	4,192	359,350	2,146,000	*2*	2,505,350
	819,069	133,607	952,676	2,146,000		3,098,676
Current liabilities						
Trade and other payables	21,654	454	22,108			22,108
Current tax liabilities	573	—	573			573
Due to directors	3,930	—	3,930			3,930
Due to related companies	12,792	5,534	18,326			18,326
Due to a corporate shareholder	—	134,921	134,921	(134,921)	*3*	—
Due to a minority shareholder	31,402	—	31,402			31,402
Bank loans	303,030	—	303,030			303,030
	373,381	140,909	514,290	(134,921)		379,369
Net current assets/ (liabilities)	445,688	(7,302)	438,386	2,280,921		2,719,307
Non-current liabilities						
Deferred tax liabilities	29,020	—	29,020	—		29,020
Net assets/(liabilities)	727,994	(1,755)	726,239	2,280,921		3,007,160

Notes:

1. Pursuant to the acquisition agreement dated 8 August 2007, the Company will issue 1,482,484,473 and 2,223,726,708 shares of the Company at par value of HK$0.01 each to United Energy Holdings Limited and United Petroleum & Natural Gas Holdings Limited respectively for the Acquisition. These two companies are wholly owned by Mr. Zhang Hongwei. As the Company and United Petroleum are under the common control of Mr. Zhang Hongwei before and after the Acquisition, the Acquisition will be accounted for as a combination of entities under common control based on the principles of merger accounting in accordance with the Accounting Guideline 5 ''Merger Accounting for Common Control Combinations'' issued by the Hong Kong Institute of Certified Public Accountants.

2. The adjustment represents the placing of 1,374,000,000 Company's shares of HK$0.01 each at a placing price of HK$1.61 per share to finance the future development of United Petroleum's business and the net proceeds from the placing of approximately HK$2,146,000,000 received by the Company.

3. The adjustment represents elimination of the amount due to a corporate shareholder, United Energy Holdings Limited, of approximately HK$134,921,000 by United Petroleum, as if the Acquisition was completed on 31 March 2007 and the amount was acquired from United Energy Holdings Limited by the Company upon the completion of the Acquisition.

B. ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, from the independent reporting accountants, RSM Nelson Wheeler, Certified Public Accountants, Hong Kong.

RSM Nelson Wheeler
羅申美會計師行
Certified Public Accountants

7th Floor
Allied Kajima Building
138 Gloucester Road
Hong Kong

17 September 2007

The Board of Directors
Orient Resources Group Company Limited

Dear Sirs,

We report on the unaudited pro forma statement of assets and liabilities (the ''Statement'') of Orient Resources Group Company Limited (the ''Company'') and its subsidiaries (hereinafter collectively referred to as the ''Group''), which has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the proposed acquisition of the entire issued share capital of and shareholder's loan owed by United Petroleum & Natural Gas Investments Limited and the proposed Placing of the Company's shares might have affected the assets and liabilities of the Group presented, for inclusion in Appendix III to the circular of the Company dated 17 September 2007 (the ''Circular''). The basis of preparation of the Statement is set out on page 105 to page 107 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 Statement 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 (the ''HKICPA'').

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the Statement 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 Statement 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 HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Statement with the directors of the Company. The 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 Statement 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 Statement as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The Statement 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 the future and may not be indicative of the financial position of the Group as at 31 March 2007 or at any future date.

Opinion

In our opinion:

(a) the Statement 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 Statement as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,
RSM Nelson Wheeler
Certified Public Accountants
Hong Kong

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 31 July 2007 of the market value of United Petroleum & Natural Gas Investments Limited.

BMI APPRAISALS

BMI Appraisals Limited 邦盟匯駿評估有限公司

Suite 11-18, 31/F., Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong
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17 September 2007

The Directors
Orient Resources Group Company Limited
Unit 2112, 21st Floor
Two Pacific Place
88 Queensway
Hong Kong

Dear Sirs,

INSTRUCTIONS

We refer to the instructions from Orient Resources Group Co. Limited (referred to as the "Company") for us to provide our opinion on the market value of the 100% equity interest in United Petroleum & Natural Gas Investments Limited (referred to as "United") as at 31 July 2007 (the "date of valuation").

United owns a 60% sharing of profit arising from incremental oil reserves generated from an Enhanced Oil Recovery Project (referred to as the "Project").

This report describes the backgrounds of the Company, United and the Project, a geological summary of Gaosheng area where the Project is located and the basis of valuation & assumptions. It also explains the valuation methodology utilized and presents our conclusion of value.

PURPOSE OF VALUATION

We understand that the purpose of our valuation is to express an independent opinion on the market value of the 100% equity interest in United as at 31 July 2007 in connection with a very substantial acquisition of the Company.

BASIS OF VALUATION

Our valuation was 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".

We have adopted "HKIS Valuation Standards on Trade-related Business Assets and Business Enterprises" in preparing this valuation report.

BACKGROUND OF THE COMPANY

The Company is a public company listed on the main board of Hong Kong Stock Exchange with a stock code No. 467. It is engaged in property investment in Hong Kong. On June 6, 2006, the Company acquired Grand Hope Group Limited. Grand Hope Group Limited holds a 71% equity interest in Shenyang Dadongfang Property Development Co., Ltd (referred to as "Shenyang Dadongfang") and also holds an 80% equity interest in Shenyang Shengtaiyuan Logistics Company Limited. Sheny and Dadongfang is engaged in a large-scale commercial real estate project in Shenyang City, with a site area of 328,000 square meters. We have been advised that the Company is exploring new investment opportunities in the mainland.

BACKGROUND OF UNITED

United was incorporated on March 15, 2006 and is an investment holding company principally investing in oil and gas business.. United has entered into an Enhanced Oil Recovery Contract, signed in September 2006, with China National Petroleum Corporation (referred to as "CNPC") for the development of the Project.

BACKGROUND OF THE PROJECT

The Project area covers the blocks GAO-3 L5, L6, L7 reservoirs, GAO-246 L5 and L6 reservoirs and GAO-3618 L5, L6, L7 reservoirs in the Gaoshing area (referred to as the "Three Blocks"). Viable development plans for the above locations have been developed. Under the development plans, the technology of steamflooding will be used to enhance the recovery factor of the Three Blocks, so that more reserves of oil can be re-categorized as proved reserve (referred to as "1P") ,proved plus probable reserve (referred to as "2P") and proved plus probable plus possible reserve (referred to as "3P").

In the Project, United will share 60% profit arising from incremental oil reserves generated from the Project, after deduction of value added tax, royalty and operating costs. In addition, United will bear 100% of the cost of the pilot project, estimated at US$16 million, 70% of the capital development costs and 60% of the operating cost of the Project.

GEOLOGICAL SUMMARY OF GAOSHENG AREA WHERE THE PROJECT IS LOCATED

The Project area is situated in the Liaohe oil field located in Gaosheng Town, Panjin County, Liaoning Province, the PRC. It is comprised of the Three Blocks, covering a total area of about 29 square kilometres, and production began in 1977. The Three Blocks all show similar geological characteristics and are separated by faults, which also separate the Three Blocks from others within the overall Gaosheng area.

The oil reservoirs of the Three Blocks are at depths between 1500 metres and 1700 metres True Vertical Depth Subsea. The depths of the fluid contacts are such that L5 is the only major reservoir that contains a gas cap, L6 is entirely oil bearing, and L7 is almost entirely oil bearing with some apparent bottom water.

The porosities of the productive reservoirs in Three Blocks are between 19.6% and 24%, while the permeabilities are in the range of 1,637 millidarcies (referred to as "MD") and 2,158 MD.

SOURCE OF INFORMATION

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

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

- The business nature of United;
- The financial and operational information of United;
- The specific economic environment and competition for the market in which United currently operates or will operate;
- Market-derived investment returns of entities engaged in similar lines of business; and
- The financial and business risks of United, including the continuity of income and the projected future results.

SCOPE OF WORKS

In the course of our valuation works for United, we have conducted the following steps to evaluate the reasonableness of the adopted bases and assumptions provided by the senior management of the Company:

- Interviewed with the senior management of the Company;
- Obtained all relevant financial and operational information of United;
- Performed market research and obtained statistical figures from public sources;
- Examined all relevant bases and assumptions of both the financial and operational information related to United, which were provided by the senior management of the Company;
- Prepared a business financial model to derive the indicated value of United, and
- Presented all relevant information on the backgrounds of the Company, United and the Project, a geological summary of Gaosheng field where United is located, valuation methodology, source of information, and scope of works, major assumptions, comments and our conclusion of value in this report.

VALUATION ASSUMPTIONS

Due to the changing environment in which United currently operates or will operate, a number of assumptions had to be established in order to sufficiently support our concluded opinion of value of United. 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 United is currently or will be exposed to;

- There will be no major changes in the current taxation law in the jurisdiction where United is currently or will be exposed to, 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 United 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; and

- Exchange rates and interest rates will not differ materially from those presently prevailing.

VALUATION METHODOLOGY

Three generally accepted valuation methodologies have been considered in valuing Project. They were the market approach, the cost approach and the income approach.

The market approach provides indications of value by comparing the subject to similar assets that have been sold in the market.

The cost approach provides indications of value by studying the amounts required to recreate the asset 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 asset.

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 asset than an amount equal to the present worth of anticipated future benefits from the same or a substantially similar asset with a similar risk profile.

Among the three approaches, the *cost approach* was regarded not appropriate in the valuation, as it only considers the costs of recreating United and the costs may not represent the market value. The *income approach* was also considered inadequate in the valuation, as it involves much more assumptions compared to the other two approaches. Therefore, we determined that the *market approach* was the most appropriate approach for the valuation of United.

We used the market approach by referring to recent sale and purchase transactions of other oil fields (referred to as the "Comparable Transactions") in the period from January 2006 to June 2006. We then estimated the weighted-average purchase price to barrel of oil ratio (referred to as "P/BR") based on the Comparable Transactions to determine the market value of United.

Table 1: The Details of the Comparable Transactions:

Name of Acquirer	Month/ Year of Trans- action	Location of the Oil Field (by Country)	Purchase Price of Total Transaction (US$ Million)	Purchase Price of 1P (US$ Million)	Purchase Price of 2P (US$ Million)	Purchase Price of 3P (US$ Million)	No. of Barrel of 1P (Million)	No. of Barrel of 2P (Million)	No. of Barrel of 3P (Million)	P/BR of 1P	P/BR of 2P	P/BR of 3P
Aabar Petroleum Investments Company	Jan-06	Indonesia	259.34	240.22	259.34	259.34	6.46	12.84	12.84	37.18	20.21	20.21
Vermilion Energy Trust	Mar-06	France	163.08	150.18	163.10	163.08	11.2	15.5	15.5	13.41	10.52	10.52
Aabar Petroleum Investments Company	Mar-06	Indonesia	277.71	257.23	277.71	277.71	6.92	13.74	13.74	37.18	20.21	20.21
ROC Oil Company Limited	Jun-06	Bohai Bay; PRC	260	232.4	250.7	260	10	16.1	22.3	23.24	15.57	11.66
Addax Petroleum Corporation	Jul-06	Gabon	1,416	1,240.37	1,335.08	1,415.88	35.90	67.47	121.33	34.55	19.79	11.67

Table 2: The Details of Our Analysis:

Name of Acquirer	Month/ Year of Transaction	Location of the Oil Field (by Country)	Purchase Price of 1P (US$ Million)	Purchase Price of 2P-1P (US$ Million)	Purchase Price of 3P-2P (US$ Million)	No. of Barrel of 1P (Million)	No. of Barrel of 2P-1P (Million)	No. of Barrel of 3P-2P (Million)	Adjusted P/BR of 1P	Adjusted P/BR of 2P-1P	Adjusted P/BR of 3P-2P
Aabar Petroleum Investments Company	Jan-06	Indonesia	240.22	19.12	0	6.46	6.37	0	42.9771	3.4679	0
Vermilion Energy Trust	Mar-06	France	150.18	12.9	0	11.2	4.3	0	16.2723	3.6406	0
Aabar Petroleum Investments Company	Mar-06	Indonesia	257.23	20.477	0	6.92	6.83	0	43.64	3.5213	0
ROC Oil Company Limited	Jun-06	Bohai Bay; PRC	232.4	18.3	9.3	10	6.1	6.2	24.8237	3.2044	1.6022
Addax Petroleum Corporation	Jul-06	Gabon	1,240.37	94.71	80.8	35.90	31.57	53.86	35.9554	3.1218	1.5609
Weighted Average									**33.8485**	**3.2558**	**1.3353**

Note 1: 1P-Proved reserve, 2P-Proved plus Probable reserve,
3P-Proved plus Probable plus Possible reserve

Note 2: The average oil price as at 31 July 2007 was US$73.825/barrel of oil

We included all applicable and comparable transactions in the period for our valuation. During our valuation, we based on the information included in a technical report named "Competent Person's Report on The Gaosheng Heavy Oil Project Prepared for Orient Resources Group Company Limited — as of 17 September 2007 (referred to as the "Technical Expert's Report") prepared by Gaffney, Cline & Associates (Consultants) Pte Ltd.. The reserves summary expressed in Million Stock Tank Barrel (referred to as "MMstb") is presented in Table 3:

Table 3: The Reserves Summary of the Three Blocks

Reserves	1P (MMstb)	2P-1P (MMstb)	3P-2P (MMstb)
GAO-3 L5	13.62	14.1	15.27
GAO-3 L6	14.63	15.55	16.78
GAO-3 L7	5.29	5.62	6.06
GAO-246 L5&L6	9.09	9.39	10.2
GAO-3618	7.39	7.65	8.29
Total	50.02	52.31	56.60

Note 1: The above reserves represent the 100% reserves in the EOR Project. For the detail of United's entitlement, please refer to "BACKGROUND OF THE PROJECT" on page 3.

The Technical Expert's Report states that the estimated 3P reserve of the EOR Project is 158.93 million barrels. We have estimated the value of 1P of the Three Blocks by multiplying 50.02 million barrels by the weighted-average adjusted P/BR of 33.8485 (shown in Table 2). The estimated value of 2P-1P was calculated by multiplying 52.31 million barrels by the weighted-average adjusted P/BR of 3.2558 (shown in Table 2). The estimated value of 3P-2P was calculated by multiplying 56.60 million barrels by the weighted-average adjusted P/BR of 1.3353 (shown in Table 2).The weighted-average adjusted P/BR was calculated by considering both the purchase price and the no. of barrel of oil under each comparable transaction. The total estimated value of United was then determined based on the sum of the estimated values of 3P.

The adjustment for oil price rises was made in order to take into account the impact of the increases in oil prices over the period from the dates of announcement of each of the Comparable Transactions up to the date of valuation of United.

On the other hand, we did not make any adjustment for differences in the locations of the oil fields involved in the Comparable Transactions and United, as we considered that there would be virtually no limitation on the global merger and acquisition market arising from globalization of economy.

VALUATION COMMENTS

For the purpose of this valuation and in arriving at our opinion of value, we have referred to the information provided by the senior management of the Company, the Technical Report and the information of the Comparable Transactions to estimate the value of United. 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 specified, all money amounts stated herein are in United States Dollars (US$).The exchange rate adopted is the average rate as at 31 July 2007 being one United States Dollar (US$) = HK$7.8248 and no allowances have been made for any exchange transfers. There has been no significant fluctuation in the exchange rates between that date and the date of this report.

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, CNPC, United, the Project or us.

Based on our investigation and analysis outlined in this report, it is our opinion that the market value of the 100% equity interest in United Petroleum & Natural Gas Investments Limited as at 31 July 2007 was **US$1,045,000,000 (US DOLLARS ONE BILLION AND FORTY-FIVE MILLION ONLY)**, which was equivalent to **HK$8,180,000,000 (HK DOLLARS EIGHT BILLION ONE HUNDRED AND EIGHTY MILLION ONLY).**

We hereby certify that we have neither present nor prospective interest in the Company, CNPC, United, the Project or the value reported.

Yours faithfully
For and on behalf of
BMI APPRAISALS LIMITED

Marco T.C. Sze
B.Eng(Hon), MBA(Acct), CFA
Senior Manager

Dr. Tony Cheng
BSc, MUD, MBA(Finance), MSc(Eng), PhD(Econ), MHKIS, MCIArb, AFA, SIFM, FCIM, MASCE, MIET, MIEEE, MASME, MIIE
Director

Lowell W.W. Lo
BBA(Hons), MSc(NJIT), CPA, AICPA, SIFM
Director

Notes:

1. Mr. Marco Sze holds a Master's Degree of Business Administration in Accountancy from the City University of New York – Baruch College and is a holder of Chartered Financial Analyst. He has about 3 years' experience in valuing similar assets or companies engaged in similar business activities, e.g. oilfield in Hong Kong, China and the Asia-Pacific Region.

2. Dr. Tony Cheng is a member of the Hong Kong Institute of Surveyors, 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 16 years' experience in valuing similar assets or companies engaged in similar business activities, e.g. oilfield worldwide.

3. Mr. Lowell Lo is a practicing member of the Hong Kong Institute of Certified Public Accountants, a member of the American Institute of Certified Public Accountants. He has about 3 years' experience in valuing similar assets or companies engaged in similar business activities, e.g. oilfield in Hong Kong, Macao, China and various locations in the Asia-Pacific Region.

Copy No. 1

COMPETENT PERSON'S REPORT
ON
THE GAOSHENG HEAVY OIL PROJECT

Prepared for

ORIENT RESOURCES GROUP COMPANY LIMITED

17th SEPTEMBER, 2007

The Americas

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FIGURES

APPENDICES

Gaffney, Cline & Associates (Consultants) Pte Ltd
Technical and Management Advisers to the Petroleum Industry Internationally Since 1962
Principals:
William B. Cline
Peter D. Gaffney

Registered No. 01453/1987-N

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BCR/dh/L0351/2007/KK993.03 17th September, 2007

The Directors
ORIENT RESOURCES GROUP COMPANY LIMITED
Rm. 2112, Two Pacific Place
88 Queensway
Central, Hong Kong

Dear Sirs

COMPETENT PERSON'S REPORT ON THE GAOSHENG HEAVY OIL PROJECT

INTRODUCTION

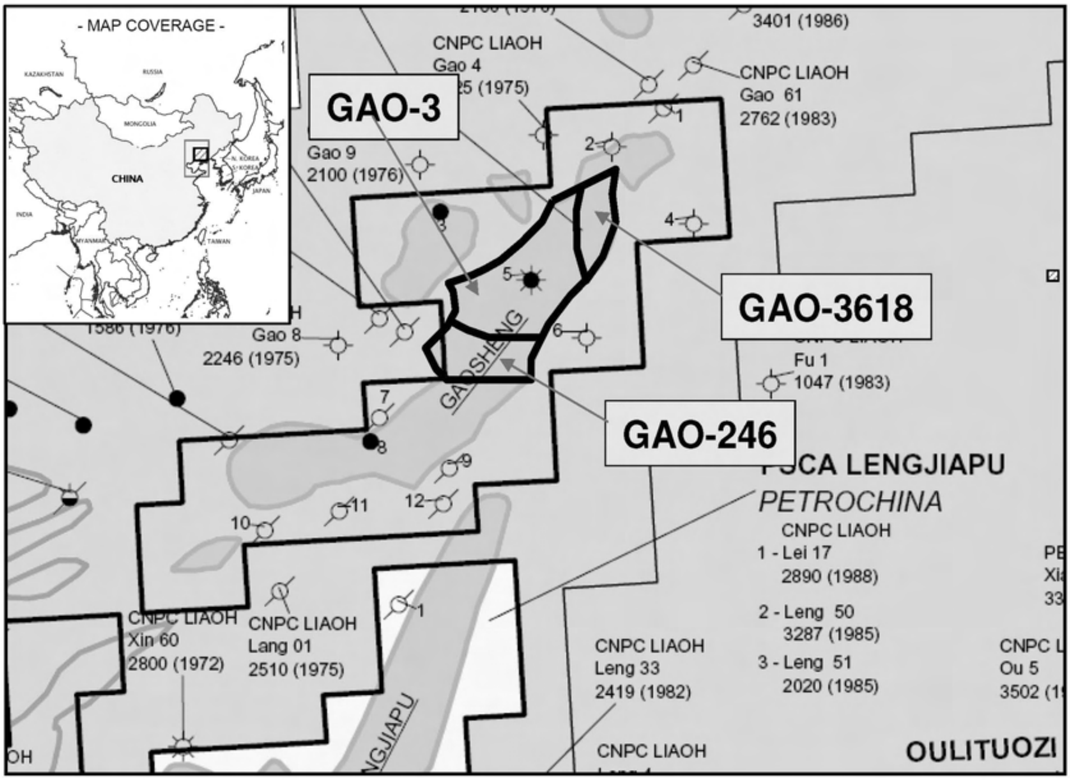
Orient Resources Group Company Limited (Orient) has commissioned Gaffney, Cline and Associates (GCA) to prepare a Competent Person's Report for an Enhanced Oil Recovery (EOR) project in the Gaosheng area (Figure 1). The EOR contract is between China National Petroleum Corporation (CNPC) and United Petroleum & Natural Gas Investments Limited (United) and the contract area is comprised of three Blocks: GAO-3, GAO-246 and GAO-3618. It is understood that Orient is in the process of acquiring the entire share capital of United and it is intended that this report will be included in a Circular to be lodged with the Hong Kong Stock Exchange in connection with that transaction. This report has been prepared in compliance with Rule 18.09(6) of the Listing Rules of the Hong Kong Stock Exchange.

Orient has made available to GCA a data set of technical information including geological, geophysical, and engineering data and reports, together with financial data and other information pertaining to the fiscal terms applicable to the contract area. GCA has reviewed and relied on this information in preparing this report. GCA has previously been engaged by Orient to prepare a reserves certification for Block GAO-3 reservoirs L5, L6 and L7 and for Blocks GAO-246 L5/L6 and GAO-3618, utilising the same dataset.

No site visit was undertaken by GCA.

Industry Standard abbreviations are contained in the attached Appendix I Glossary, some or all of which may have been used in this report.

Figure 1. Gaosheng Location Map



GCA uses the Petroleum Resources Management System (SPE PRMS) published by the Society of Petroleum Engineers/World Petroleum Congresses/American Association of Petroleum Geologists/Society of Petroleum Evaluation Engineers (SPE/WPC/AAPG/SPEE) in March 2007 as the basis for its classification and categorization of hydrocarbon volumes. An abbreviated form of the SPE PRMS is appended as Appendix II.

It should be understood that any determination of reserve volumes particularly involving petroleum developments, may be subject to significant variations over short periods of time as new information becomes available and perceptions change.

As they are not required under Chapter 18 of the Listing Rules of the Hong Kong Stock Exchange, no Net Present Values (NPVs) have been calculated for the hydrocarbon volumes presented as part of this report. However, the hydrocarbons volumes have been tested against the fiscal terms of the contract for their economic limit in order to comply with the SPE PRMS.

GCA is an independent energy consultancy specialising in petroleum reservoir evaluation and economic analysis. In the preparation of this report, GCA has maintained, and continues to maintain, a strict consultant-client relationship with Orient. The partners and directors of GCA have been, and continue to be, independent of Orient and United in the services they provide to the company, including the provision of the opinion expressed in this review. Furthermore, the partners and directors of GCA have no interest in any assets or share capital of Orient or United or in the promotion of either company.

This Competent Person's Report must only be used for the purpose for which it was intended.

EXECUTIVE SUMMARY

The EOR contract is an EOR Incremental Production Contract that results in a sharing of incremental profit oil above an agreed Base Oil amount, after deduction of value added tax, royalty and operating costs (OPEX), of 60% to United and 40% to CNPC. Additionally, an "excess profits" tax has recently been enacted. United, as the operator, will bear 100% of the cost of the pilot project, estimated at US$16.0 MM, and thereafter the capital development costs (CAPEX) will be split 70% United, 30% CNPC. The operating cost (OPEX) is shared 60% United and 40% CNPC.

The Reserves estimated as of 30th June 2007, of the producing Blocks are as shown in the following Tables. These are based on previous work in which GCA analyzed the available geological, petrophysical and production data and calculated a STOIIP as detailed in this report. Reserves attributable to United are comprised of quantities of oil that are reasonably expected to be produced as incremental production due to EOR, in this case in the form of a planned steamflood. The primary production (i.e. that not resulting from the EOR project) remains entirely owned by CNPC and is referred to as the "Base Oil" in the contract.

Approval has been given by CNPC for a pilot project (and continuing operations, if successful) for Block GAO-3 reservoirs L6 and L7. Orient has confirmed to GCA that the pilot project commenced on 5th June, 2007. Development plans for Block GAO-3, L5 reservoir, Block GAO-246, L5 and L6 reservoirs, and Block GAO-3618, L5 and L6 reservoirs, have been submitted, but require the approval of the State Council of the PRC. Although such approval has not yet been given, GCA understands that United has committed to the development of these volumes and, as such, they are considered to be Reserves in this report.

Block GAO-3

Block GAO-3 Reserves estimated as of 30th June, 2007 have been calculated based on the incremental EOR recovery factors as noted in Section 5 of this report, expressed in MMstb are as follows:

Block GAO-3 Formation (100% WI)	Proved (1P) (MMstb)	Proved + Probable (2P) (MMstb)	Proved + Probable + Possible (3P) (MMstb)
L5	13.62	27.72	42.99
L6	14.63	30.18	46.96
L7	5.29	10.91	16.97
Total	**33.54**	**68.81**	**106.92**

Block GAO-3 Formation (Net Entitlement to United)	Proved (1P) (MMstb)	Proved + Probable (2P) (MMstb)	Proved + Probable + Possible (3P) (MMstb)
L5	8.40	16.53	25.39
L6 + L7	11.97	24.18	37.40
Total	**20.37**	**40.71**	**62.79**

Notes:
1. 1P reserves = Low RF X Low Case STOIIP.
2. 2P reserves = Best Estimate RF X Best Estimate Case STOIIP.
3. 3P reserves = High RF X High Case STOIIP.
4. Net Entitlement to United reflects the net entitlement under the fiscal terms of the contract.

Block GAO-246

Reserves estimated as of 30th June, 2007, expressed in MMstb, are as follows:

Block GAO-246 Formation (100% WI)	Proved (1P) (MMstb)	Proved + Probable (2P) (MMstb)	Proved + Probable + Possible (3P) (MMstb)
L5	3.19	6.48	10.06
L6	5.90	12.00	18.62
Total	**9.09**	**18.48**	**28.68**

Block GAO-246 Formation (Net Entitlement to United)	Proved (1P) (MMstb)	Proved + Probable (2P) (MMstb)	Proved + Probable + Possible (3P) (MMstb)
L5 + L6	5.58	10.98	16.88
Total	**5.58**	**10.98**	**16.88**

Notes:
1. 1P reserves = Low RF X Low Case STOIIP.
2. 2P reserves = Best Estimate RF X Best Estimate Case STOIIP.
3. 3P reserves = High RF X High Case STOIIP.
4. Net Entitlement to United reflects the net entitlement under the fiscal terms of the contract.

Block GAO-3618

Reserves estimated as of 30th June, 2007, expressed in MMstb are as follows:

Block GAO-3618 Formation (100% WI)	Proved (1P) (MMstb)	Proved + Probable (2P) (MMstb)	Proved + Probable + Possible (3P) (MMstb)
L5 + L6	7.39	15.04	23.33
Total	**7.39**	**15.04**	**23.33**

Block GAO-3618 Formation (Net Entitlement to United)	Proved (1P) (MMstb)	Proved + Probable (2P) (MMstb)	Proved + Probable + Possible (3P) (MMstb)
L5 + L6	4.46	8.85	13.62
Total	**4.46**	**8.85**	**13.62**

Notes:

1. 1P reserves = Low RF X Low Case STOIIP.
2. 2P reserves = Best Estimate RF X Best Estimate Case STOIIP.
3. 3P reserves = High RF X High Case STOIIP.
4. Net Entitlement to United reflects the net entitlement under the fiscal terms of the contract.

Cumulative (all three Blocks)

The cumulative Reserves for all three Blocks as of 30th June, 2007, expressed in MMstb, are presented in the following Tables:

Cumulative Reserves
Block GAO-3, Block GAO-246, Block GAO-3618
As of 30th June, 2007

Reserves (100% WI)	Proved (MMstb)	Proved + Probable (MMstb)	Proved + Probable + Possible (MMstb)
GAO-3 L5/L6/L7	33.54	68.81	106.92
GAO-246 L5&L6	9.09	18.48	28.68
GAO-3618	7.39	15.04	23.33
Total	**50.02**	**102.33**	**158.93**

Reserves (Net Entitlement to United)	Proved (MMstb)	Proved + Probable (MMstb)	Proved + Probable + Possible (MMstb)
GAO-3 L5/L6/L7	20.37	40.72	62.79
GAO-246 L5&L6	5.58	10.98	16.88
GAO-3618	4.46	8.85	13.62
Total	**30.41**	**60.55**	**93.29**

Notes:

1. 1P reserves = Low RF X Low Case STOIIP.
2. 2P reserves = Best Estimate RF X Best Estimate Case STOIIP.
3. 3P reserves = High RF X High Case STOIIP.
4. Net Entitlement to United reflects the net entitlement under the fiscal terms of the contract.
5. In all cases, the conversion from tonnes to barrels is based on the factor of 6.29 barrels per cubic metre divided by the specific gravity of the Gaosheng oil of approximately 0.95.
6. This calculation results in a conversion of 6.62 barrels per tonne.

1. GEOLOGICAL SUMMARY

The Project area is situated in the Liaohe oil field located in Gaosheng Town, Panjin County, Liaoning Province, the PRC. The field was discovered by CNPC in 1976, and production began in 1977. The Gaosheng Heavy Oil Project Blocks GAO-3, 246, and 3618, all show similar geological characteristics. The three Blocks are separated by faults, which also separate these Blocks from others within the overall Gaosheng area. It is also possible that there are additional faults within the Blocks, although these are not expected to be significant due to the large number of wells drilled, and the general consistency of formation tops and log signatures. The reservoirs are at depths between 1,500m and 1,700m TVDSS. In Block GAO-3, there is a Gas Oil Contact at 1,510m TVDSS, and an Oil Water Contact at 1,690m TVDSS. The depths of the contacts are such that L5 is the only major reservoir that contains a gas cap, L6 is entirely oil bearing, and L7 is almost entirely oil bearing with some apparent bottom water. It is also possible that there is a stratigraphic component to the observed fluid distribution. Figure 2 shows an example of the reservoir section from 3-3-76 well logs.

1.1 Depositional Environment

The sands are described as having being deposited in a deep lake (lacustrine) environment due to erosion from the northeast. The sands show characteristics of turbidites with strong lateral continuity and a degree of vertical heterogeneity, with a high overall sand content (net to gross). The main productive reservoirs are the L5, L6 and L7 layers, although there are other minor hydrocarbon-bearing layers. Figure 3 shows a correlation between four wells in the 3-3-76 pilot area with good overall correlation, but changes in character due to differing sand content. All layers show a strong preferential development along the main NE-SW axis of Block GAO-3, with sands generally being thicker towards the centre of the axis and thinner away from it, especially for the L7 layer. Figure 4 illustrates this by showing a Net Effective Oil Thickness map of the main reservoirs in GAO-3 block.

1.2 Reservoir Characteristics

The following are the average reported general characteristics of the GAO Blocks:

Parameter	GAO-3	GAO-246	GAO-3618
Net Pay (m)	95	57.4	52 – 68
Porosity	24%	24%	19.6%
Permeability	2,158 mD	1,771 mD	1,637 mD
Original Oil Saturation	60%	60%	60%
Oil Viscosity	518 mPa.s	147 – 225 mPa.s	605 mPa.s
Dead Oil Viscosity (50°C)	2,000 – 3,500 mPa.s	900 – 3,000 mPa.s	3,876 mPa.s
Original Oil Density (20°C)	0.94 – 0.96 s.g.	0.90 – 0.94 s.g.	0.95 s.g.

Notes:

1. The information contained in this Table is as reported by United.
2. GCA has considered the oil density to be 0.95 s.g. for all cases, in this report.

Figure 2. 3-3-76 Well Log Data

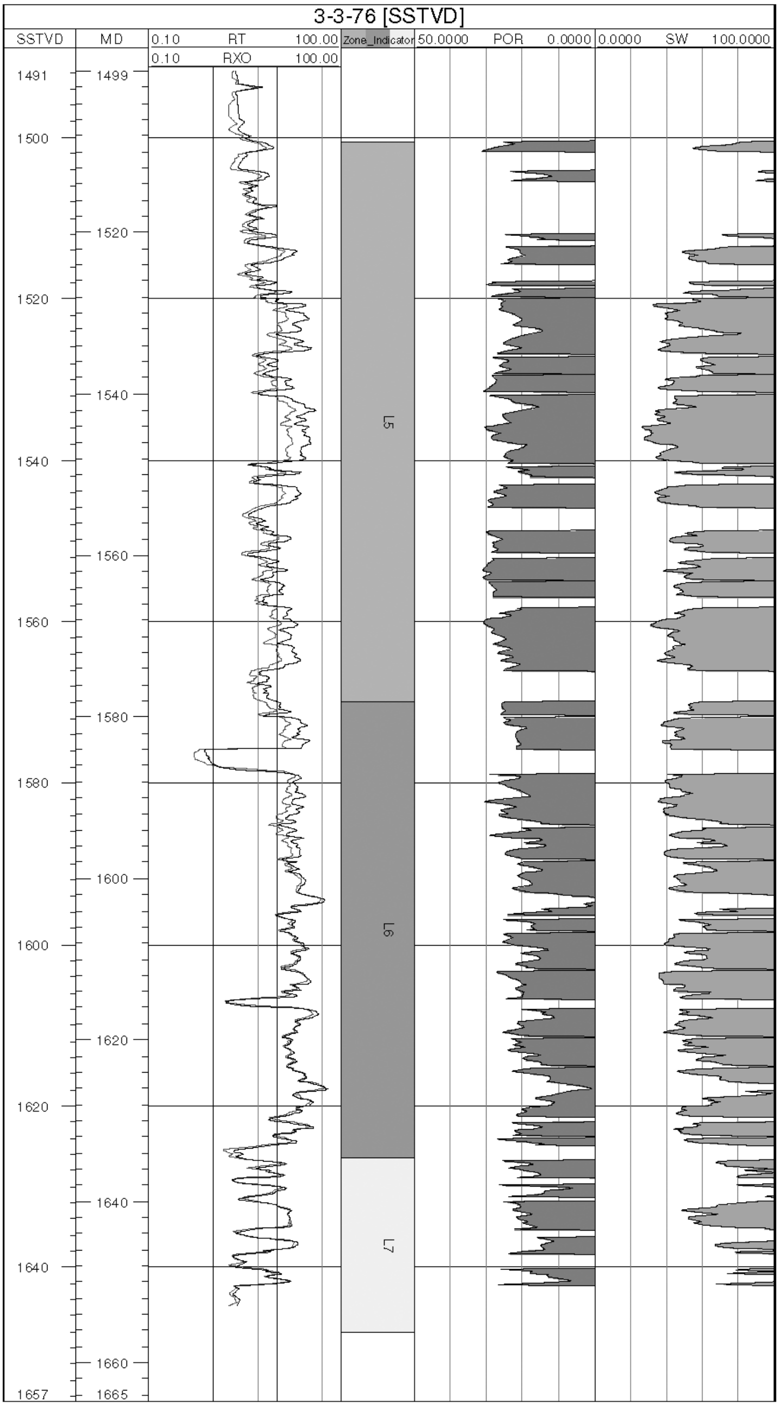


Figure 3. Well Correlation Example

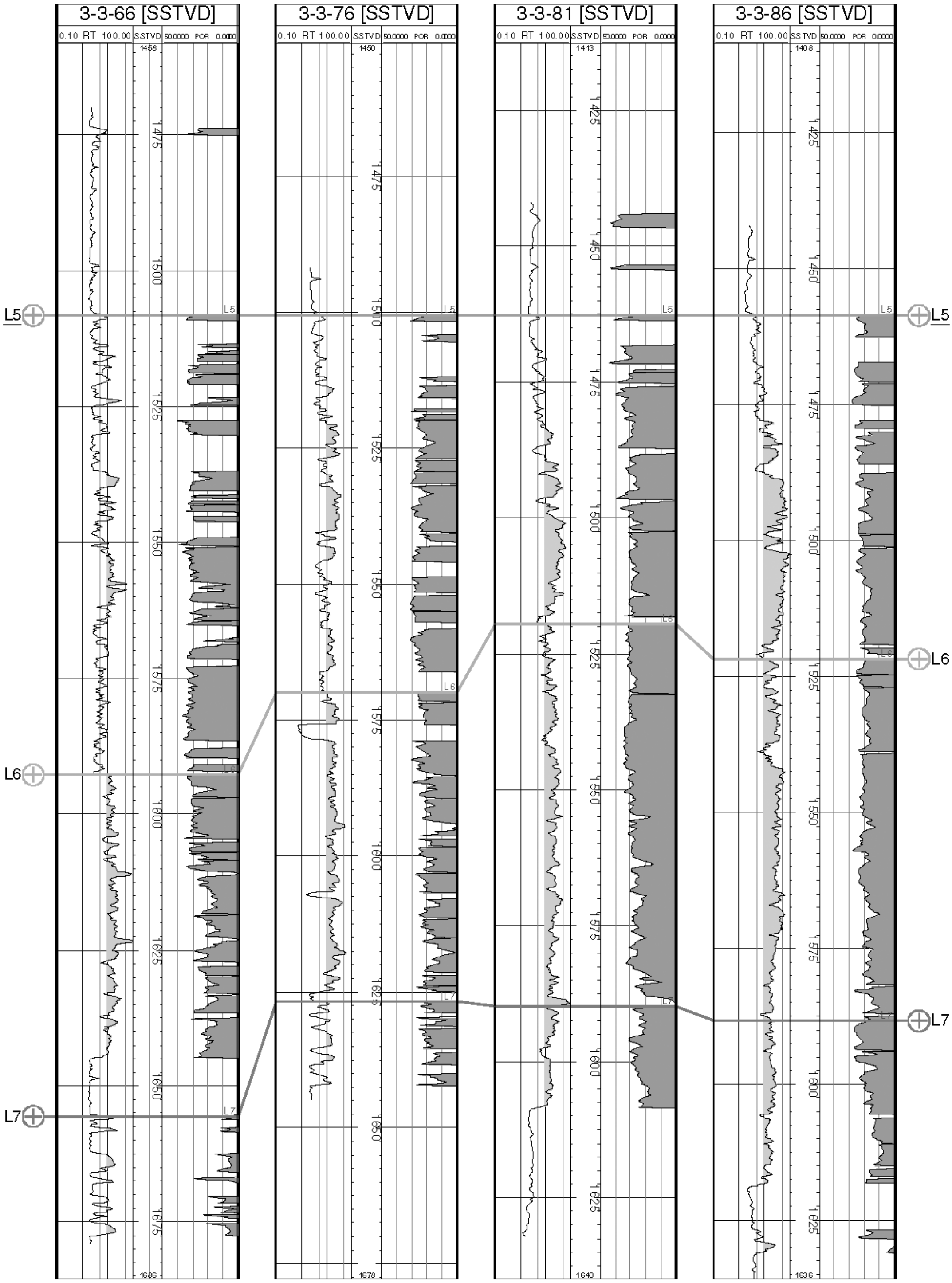
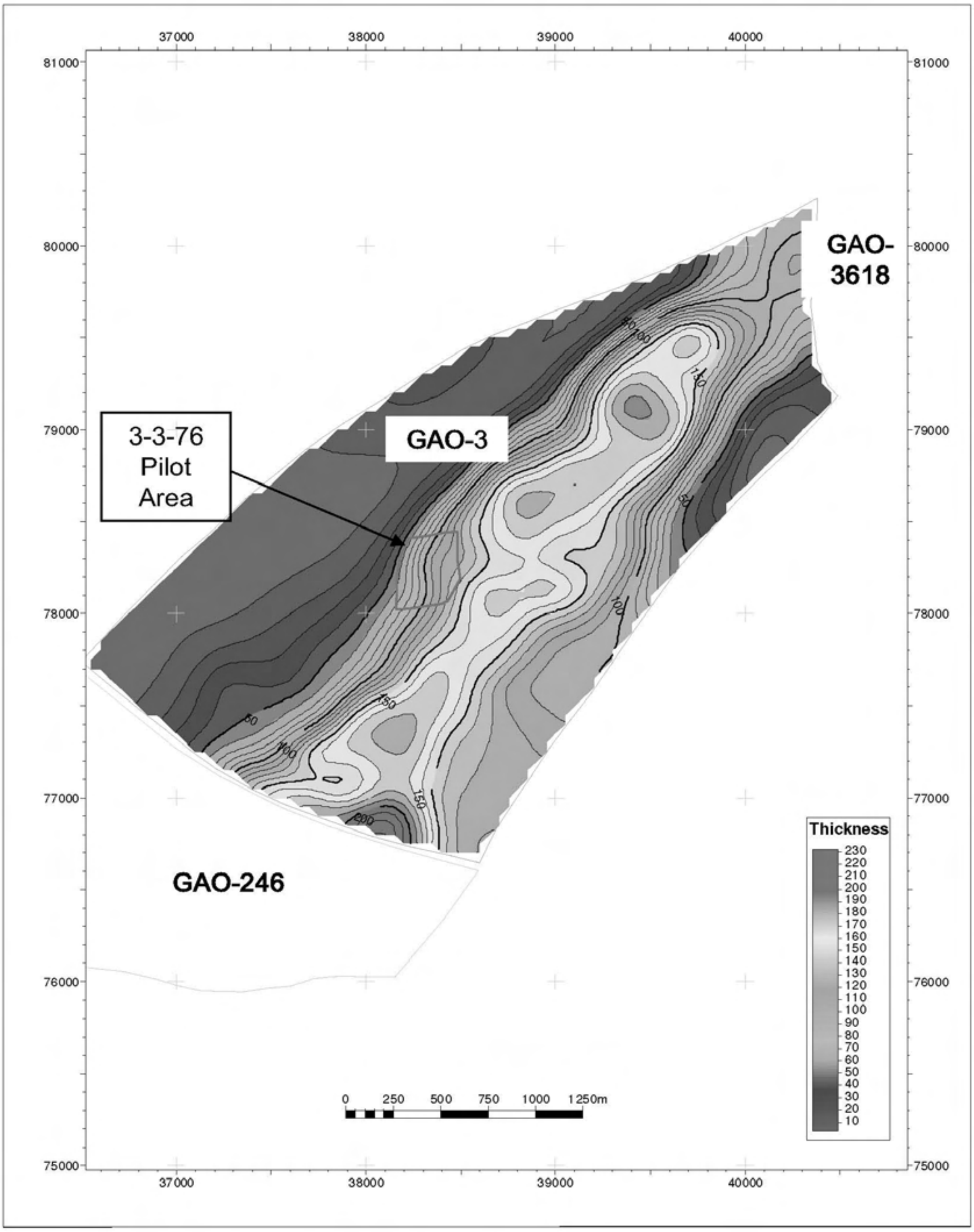


Figure 4. Block GAO-3 Net Effective Oil Thickness (m) L5, L6, L7 Combined



1.3 Petrophysics

GCA was supplied with a basic set of log curves for most of the wells in Gaosheng area, together with various core data including SCAL data and other reports. GCA has not conducted a full petrophysical analysis, but has restricted its analysis to a spot check of a sample of data to test the assumptions and methods used to derive the volumetric estimates. Even though it was not possible to reconcile all the logs, maps, data values, and methodology, the overall results are valid to the extent that the values used to derive volumetric estimates are sound. A brief description of each major parameter follows.

Net Effective Thickness — The calculation of net effective thickness is described in various documents as a series of cutoffs where Porosity > 0.16, Rt (True Resistivity) > 9 ohm-m, and Sonic > 250 us/m. GCA believes this represents a suitable set of cutoffs for this reservoir. GCA also produced a series of validations on several wells and produced values similar to those provided on the effective pay maps. The effective pay maps were then used as the input for calculating Net Rock Volumes throughout the field.

Porosity — GCA calculated independent estimates of porosity for several wells and found the results to be similar to those of CNPC. The overall range of porosity is also generally similar to that supplied. The GCA overall Best Estimate average porosity is estimated at 24%. In order to account for uncertainty with respect to Low and High porosity values, they have been estimated of 22% and 26% respectively.

Oil Saturation — GCA calculated independent estimates of oil saturation for several wells and found the results similar to those supplied, at around 60%. However, there are some difficulties in the log analysis (e.g. fresh water), and some evidence from core data to suggest that log analysis may be underestimating actual oil saturation. We have therefore assumed 60% to be a Low value and assigned Best Estimate and High estimates of 65% and 70% respectively.

1.4 Volumetrics

Oil-in-place calculations incorporating gross rock volume (GRV) and petrophysical parameter ranges are presented in the Tables shown below. Oil-in-place calculations were based on effective sand thickness maps provided by United together with the calculated parameters for the main reservoirs (porosity, oil saturation, oil shrinkage factor). Net effective sand maps were calibrated against a number of individual wells, and found to be a good representation of the sands from the well data.

STOIIP calculations made by GCA are higher than those reported from official government statistics. This is due to several factors, primarily those of a different calculation method and a higher oil saturation. It is also likely due to the official government estimations having been made when less data was available. GCA has used a different calculation method, where net rock volume was calculated from a series of effective thickness maps rather than a constant area multiplied by thickness calculation used for the official government estimates. The Low, Best Estimate, and High cases also differ in the porosity and oil saturation values used. These are described above in the Section 1.3.

Table of STOIIP and Parameters used for Block GAO-3 Low Case

Layer	Net Rock Volume (MMm^3)	Porosity (decimal)	Oil Saturation (decimal)	Oil Shrinkage Factor (decimal)	Oil Gravity (decimal)	STOIIP MMstb	STOIIP tonnes 10^4
L5	182	0.22	0.6	0.949	0.949	143	2,163
L6	202	0.22	0.6	0.949	0.949	159	2,401
L7	73	0.22	0.6	0.949	0.949	57	868
Total						**360**	**5,432**

Table of STOIIP and Parameters used for Block GAO-3 Best Estimate Case

Layer	Net Rock Volume (MMm^3)	Porosity (decimal)	Oil Saturation (decimal)	Oil Shrinkage Factor (decimal)	Oil Gravity (decimal)	STOIIP MMstb	STOIIP tonnes 10^4
L5	182	0.24	0.65	0.949	0.949	169	2,556
L6	202	0.24	0.65	0.949	0.949	188	2,837
L7	73	0.24	0.65	0.949	0.949	68	1,025
Total						**425**	**6,418**

Table of STOIIP and Parameters used for Block GAO-3 High Case

Layer	Net Rock Volume (MMm^3)	Porosity (decimal)	Oil Saturation (decimal)	Oil Shrinkage Factor (decimal)	Oil Gravity (decimal)	STOIIP MMstb	STOIIP tonnes 10^4
L5	182	0.26	0.70	0.949	0.949	198	2,982
L6	202	0.26	0.70	0.949	0.949	219	3,310
L7	73	0.26	0.70	0.949	0.949	79	1,196
Total						**496**	**7,488**

Table of STOIIP and Parameters used for Block GAO-246 Low Case

Layer	Net Rock Volume ($MMm^{3)}$	Porosity (decimal)	Oil Saturation (decimal)	Oil Shrinkage Factor (decimal)	Oil Gravity (decimal)	STOIIP MMstb	STOIIP tonnes 10^4
L5	45.02	0.22	0.60	0.897	0.949	33.53	506.02
L6	83.35	0.22	0.60	0.897	0.949	62.08	936.84
Total						**95.61**	**1,442.86**

Table of STOIIP and Parameters used for Block GAO-246 Best Estimate Case

Layer	Net Rock Volume (MMm^3)	Porosity (decimal)	Oil Saturation (decimal)	Oil Shrinkage Factor (decimal)	Oil Gravity (decimal)	STOIIP MMstb	STOIIP tonnes 10^4
L5	45.02	0.24	0.65	0.897	0.949	39.63	598.02
L6	83.35	0.24	0.65	0.897	0.949	73.37	1,107.18
Total						**113.00**	**1,705.20**

Table of STOIIP and Parameters used for Block GAO-246 High Case

Layer	Net Rock Volume (MMm^3)	Porosity (decimal)	Oil Saturation (decimal)	Oil Shrinkage Factor (decimal)	Oil Gravity (decimal)	STOIIP MMstb	STOIIP tonnes 10^4
L5	45.02	0.26	0.70	0.897	0.949	46.24	697.69
L6	83.35	0.26	0.70	0.897	0.949	85.60	1,291.70
Total						**131.84**	**1,989.39**

Table of STOIIP and Parameters used for Block GAO-3618 Low Case

Layer	Net Rock Volume (MMm^3)	Porosity (decimal)	Oil Saturation (decimal)	Oil Shrinkage Factor (decimal)	Oil Gravity (decimal)	STOIIP MMstb	STOIIP tonnes 10^4
L5-L6	97.71	0.22	0.60	0.959	0.943	77.79	1,166.39
Total						**77.79**	**1,166.39**

Table of STOIIP and Parameters used for Block GAO-3618 Best Estimate Case

Layer	Net Rock Volume (MMm^3)	Porosity (decimal)	Oil Saturation (decimal)	Oil Shrinkage Factor (decimal)	Oil Gravity (decimal)	STOIIP MMstb	STOIIP tonnes 10^4
L5-L6	97.71	0.24	0.65	0.959	0.943	91.93	1,378.46
Total						**91.93**	**1,378.46**

Table of STOIIP and Parameters used for Block GAO-3618 High Case

Layer	Net Rock Volume (MMm^3)	Porosity (decimal)	Oil Saturation (decimal)	Oil Shrinkage Factor (decimal)	Oil Gravity (decimal)	STOIIP MMstb	STOIIP tonnes 10^4
L5-L6	97.71	0.26	0.70	0.959	0.943	107.25	1,608.20
Total						**107.25**	**1,608.20**

2. PRODUCTION HISTORY

The field was discovered in 1976, has been producing since 1977 and the primary producing intervals are the L4, L5, L6 and L7 sands. All of the production, except for minimal quantities of oil produced as a result of various past EOR pilot projects, has been primary recovery with wells completed with rod pumps.

The total number of wells as of 31st December 2006, by Block, is detailed in the following Table.

Block	Total Drilled	Completed as Producers	Current Producers	Shut-In
GAO-3	473	427	318	155
GAO-246	107	80	65	42
GAO-3618	91	87	70	21
Total	**671**	**594**	**453**	**218**

All wells were drilled vertically but a total of 73 are reported to have been side-tracked due to casing damage above the producing formation.

Cumulative oil production from all three blocks through 30th June 2007 was 1,494.29 x 10^4 tonnes (98.96 MMstb) of oil. With a STOIIP of 9,517 x 10^4 tonnes (630MMstb), the overall current recovery factor is 15.70%. The following Table summarizes these data:

Block	STOIIP (10^4 tonnes)	Production Through 30th Jun 2007 (10^4 tonnes)	Current Recovery Factor
GAO-3	6,423.31	1,103.31	17.18%
GAO-246	1,705.20	230.57	13.52%
GAO-3618	1,388.16	160.41	11.56%
Total	**9,516.67**	**1,494.29**	**15.70%**

Production by formation, expressed in 10^4 tonnes, is detailed below. All production amounts are provided by United and are through 30th June 2007.

Block	Formation	Production 30th Jun 2007 (10^4 tonnes)	STOIIP (10^4 tonnes)	Current Recovery Factor
GAO-3	L5	223.48	2,558.08	8.74%
GAO-3	L6	664.43	2,839.19	23.40%
GAO-3	L7	215.40	1,026.04	20.99%
GAO-3	**Block Sub-Total**	**1103.31**	**6,423.31**	**17.18%**
GAO-246	L5-L6	230.57	1,705.20	13.52%
GAO-246	**Block Sub-Total**	**230.57**	**1,705.20**	**13.52%**
GAO-3618	L5-L7	160.41	1,388.16	11.56%
GAO-3618	**Block Sub-Total**	**160.41**	**1,388.16**	**11.56%**
Total		**1494.29**	**9,516.67**	**15.70%**

The same data, in MMstb, are noted in the Tables below:

Block	STOIIP (MMstb)	Production 30th Jun 2007 (MMstb)	Current Recovery Factor
GAO-3	425.38	73.07	17.18%
GAO-246	113.00	15.27	13.52%
GAO-3618	91.93	10.62	11.56%
Total	**630.31**	**98.96**	**15.70%**

Block	Formation	Production 30th Jun 2007 (MMstb)	STOIIP (MMstb)	Current Recovery Factor
GAO-3	L5	14.80	169.41	8.74%
GAO-3	L6	44.00	188.03	23.40%
GAO-3	L7	14.26	67.95	20.99%
GAO-3	**Block Sub-Total**	**73.06**	**425.39**	**17.18%**
GAO-246	L5-L6	15.27	113.00	13.52%
GAO-246	**Block Sub-Total**	**15.27**	**113.00**	**13.52%**
GAO-3618	L5-L7	10.62	91.93	11.56%
GAO-3618	**Block Sub-Total**	**10.62**	**91.93**	**11.56%**
Total		**98.95**	**630.32**	**15.70%**

3. PILOT PROJECTS

3.1 Prior CNPC Pilot Projects

Several EOR pilot projects have been attempted in Block GAO-3 by CNPC over the past 15 years. The most recent results are shown in the Table below. Basically, all previous attempts, with the exception of the 3-3-76 well group steamflood were unsuccessful. The primary reasons for the failures were very low steam-oil ratios, the lack of insulated tubing in the injector wells and the depths of the formations, which at (or past) the limit of conventional screening criteria for steamflooding. The depth limits are the result of the inability to effectively pump steam into a formation prior to it condensing into water. Water injection is generally an ineffective method of moving heavy oil due to the relative permeabilities of the fluids; i.e. the water will form channels and leave by-passed oil in the formation.

Well Group	Test Time Frame		Formation	Well Spacing	Incremental Oil RF (CNPC data)
	Start	Finish			
3-4-76	Mar 1991	Sep 1994	L6	105m	2.70%
3-40-32	May 1992	Jul 1994	L6	105m	1.50%
3-4-56	Nov 1997	Jan 1999	L6, L7	105m	0.66%
3-3-76	**Aug 2001**	**Aug 2004**	**L6, L7**	**105m**	**5.84%**

Due to the recent completion of the 3-3-76 pilot project and the fact that it was a continuous steam injection pilot, it has been selected as a reasonable base line for potential incremental (EOR) oil that may be classified as reserves.

3.2 United Pilot Project

United had 60 days from the date of commencement of the contract to prepare a programme for the mandated pilot test project, and then three additional months during which to begin implementation of the programme. As the contract effective date was 1st February 2007, that implies a commencement of operations by July, 2007 and Orient has confirmed to GCA that the pilot project commenced on 5th June, 2007. The first year commitment requires United to instigate a steamflood pilot test on four well groups and includes the requirement to drill a minimum of ten new wells, install a steam injection facility, construct injection and production lines, and build a metering station for the pilot test area. The second year includes a mandate to complete the steamflood pilot tests and formulate an EOR programme for the contract area. The pilot well groups will all be in Block GAO-3 L6 and L7 reservoirs. At the end of the pilot test period, United additionally has the right to terminate the contract.

As such, the United plan involves four individual groups with each well group set in an inverted nine-spot pattern; i.e. one steam injector in the middle of the wells with eight surrounding producers. It is planned to drill a total of 11 new wells (four injectors and seven producers) and re-complete three producing wells. These well groups are designated the 3-3-066, 3-4-76, 3-4-66 and 3-4-066 groups. These activities will account for the expenditure of the entire pilot project commitment of US$16.0 MM over the two years, as follows:

Item	CNY (MM)	US$MM (at 7.5/1)
New Wells (11)	38.03	5.07
Well Workovers (3)	2.77	0.37
Steam Generation/Facilities	41.40	5.52
G&A (2 yrs)	37.80	5.04
Total	**120.00**	**16.00**

Note: The CNY/USD exchange rate is taken to be 7.5, which was the average rate between 1st July, 2006 and 30th June, 2007.

The existing production and export facilities are reported to be adequate for the development plans.

OPEX is budgeted at 864.40 CNY per ton. This is equivalent to just over US$17/Bbl and is in line with international norms for thermal recovery projects.

3.3 3-3-76 Well Group Pilot Project

From 2001 through 2004, CNPC conducted the 3-3-76 steam injection pilot test. For this test, with the wells arrayed in a nine-spot pattern, steam was injected continuously into well 3-3-76 and produced from eight wells that are about 105m from the injector. All of the wells are completed in the L6/L7 zones at vertical depths ranging from 1540m to 1650m. Even though the oil production and water cut were relatively flat, the test was truncated in August 2004. The producers were as follows:

Well	Zone
3-2-072	L6/L7
3-22-74	L6/L7
3-3-82	L6
3-31-74	L6/L7
3-3-072	L6
3-3-066	L6
3-3-72	L6
3-22-68	L6/L7

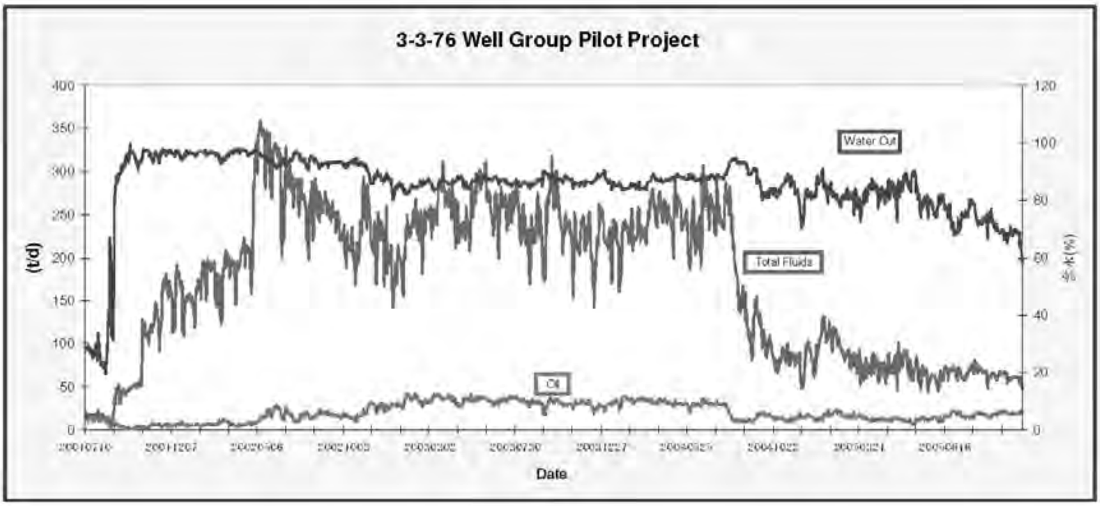
Observation wells 3-3-81 and 3-3-71 were used to monitor temperature and pressure during the pilot project.

The primary production from the 3-3-76 well group at the start of its pilot project (Figure 5) is reported to have been 13.827 x 10^4 tonnes (0.916 MMstb).

The net EOR production during the three years of steam injection was measured at 3.796 x 10^4 tonnes (0.251 MMstb), representing an incremental 5.84% of oil recovery.

Based on the GCA STOIIP for the 3-3-76 well group of 67.98 x 10^4 tonnes (4.51 MMstb), the recovery factor for the pilot project was 5.58 %. Only STOIIP volumes from the L6 reservoir were included in this calculation as the L7 is thin in this area (less then 15m) and the steamflood would likely have been ineffective.

Figure 5. 3-3-76 Well Group Production History



3.4 Decline Curve Analysis

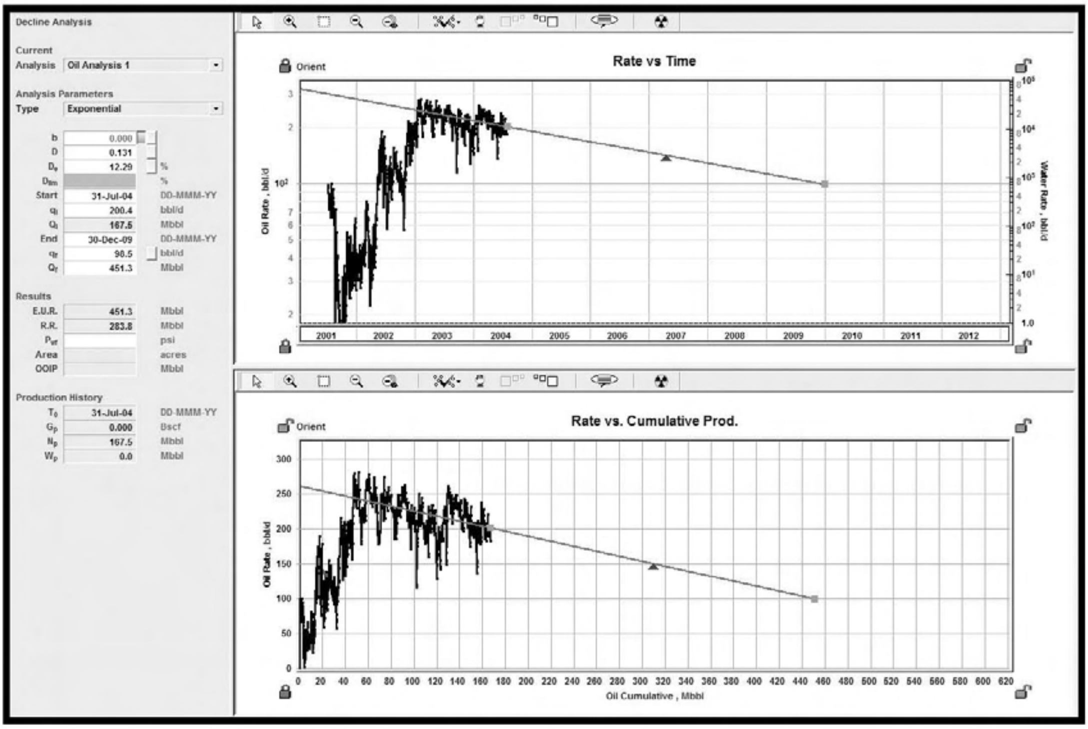
As the 3-3-76 project was truncated after only three years but demonstrated positive results and, with production showing minimal decline and water cut constant, GCA performed a decline curve analysis (DCA) for the well group in order to estimate the effects of a continued steam injection programme. This DCA indicates that, through end-2009, had the pilot been continued an additional gross oil quantity of 4.29 x 10^4 tonnes (0.284 MMstb) would have been produced (see Figure 6).

From this DCA calculation, an estimated Base Oil amount has been deducted resulting in a total of additional EOR oil attributable to the project of 2.66 x 10^4 tonnes (0.176 MMstb). The Base Oil calculation has been made using a 15.1 tpd initial starting production in August 2001, declined at 10% per year. The net of the DCA oil less the Base Oil results in additional EOR "allocable" oil over the 5.58% observed incremental RF.

From this analysis, it was concluded that, for well groups with similar formation and fluid characteristics to the 3-3-76 group, an incremental oil RF could be anticipated to be 5.58% as observed in the 2001–2004 pilot test plus an additional 3.91% DCA amount that can be anticipated to be produced if steam continues to be injected.

For the purpose of Proved Reserves (1P) the percentage of incremental recoverable oil is thus 5.58% plus 3.91% or 9.50% total for the planned EOR programmes. These volumes have been input based on the United plan of development (POD) for Block GAO-3, reservoirs L6 and L7, to create production profiles that are the basis for all Reserves determinations. Reserves and Resources for all reservoirs have been calculated based on the 3-3-76 pilot test as it remains the only valid source of data for a continuous steamflood in the three Blocks.

Figure 6. 3-3-76 Well Group Decline Curve Analysis



4. PLANS OF DEVELOPMENT

4.1 Block GAO-3 L6 and L7

As previously reported, a pilot study is due to commence in 2007 for Block GAO-3 L6 and L7. There is a commitment in the first two years to spend US$16 MM, which includes US$10.96 MM for CAPEX and US$5.04 for G&A OPEX (as detailed in Section 3.2). The plan of development does however consider a programme of drilling and workovers, beyond the 11 new wells and 3 workovers to be undertaken as the commitment in the pilot project. The total plan of drilling and workovers for the L6 and L7 reservoirs is as follows:

	New Wells			
Year	**Injectors**	**Producers**	**Total**	**Workovers**
2007	**4**	**7**	**11**	**3**
2008	0	0	0	0
2009	20	21	41	10
2010	20	23	43	10
2011	29	33	62	15
Total	**73**	**84**	**157**	**38**

Note: Year 2007/8 work plan represents the United pilot project.

4.2 Further Development Plans

United has submitted a plan of development for the L5 reservoir in Block GAO-3 and for L5 and L6 in Block GAO-246 and for reservoirs L5, L6 and L7 in Block GAO-3618. The expenditures are based on the pilot project data and feasibility study provided by United and reviewed by GCA. The drilling and workovers planned for each of these three developments are shown below. In all of the cases, investment commences in 2009 and production in 2010.

The formation L5 well work plan is currently planned to include a total of 66 well groups as noted below:

	New Wells/WOs			
GAO-3	**Injectors**	**Producers**	**WOs**	**Well Groups**
2009	24	49	46	24
2010	20	41	44	20
2011	22	45	45	22
Total	**66**	**135**	**135**	**66**

The feasibility study for Block GAO-246 includes only the L5 and L6 formations. The development plan is based on the following investment schedule and, unlike the other reservoirs, considers that for the first two years (2009 and 2010) a cyclic steam injection (huff and puff) programme will be operational. Continuous steam injection commences in 2011.

	New Wells/WOs			
GAO-246	**Injectors**	**Producers**	**WOs**	**Well Groups**
2009	21	13	13	21
2010	20	14	12	20
2011	0	32	0	0
Total	**41**	**59**	**25**	**41**

The updated feasibility study for GAO-3618 contains plans for a total of 19 well groups, with new wells as noted in the following Table.

	New Wells/WOs			
GAO-3618	**Injectors**	**Producers**	**WOs**	**Well Groups**
2009	19	9	15	19
2010	0	0	0	0
2011	0	0	0	0
Total	**19**	**9**	**15**	**19**

5. RESERVES

Based on the data provided and GCA's analysis of that data, STOIIP and recovery factor calculations have been made for each of the main reservoirs in each of the Blocks. Based on the criteria noted in this section, the Reserves are as follows, expressed in millions of barrels (MMstb).

Reserves (100% WI)	**Proved (MMstb)**	**Proved + Probable (MMstb)**	**Proved + Probable + Possible (MMstb)**
GAO-3 L5	13.62	27.72	42.99
GAO-3 L6&L7	19.92	41.09	63.95
GAO-246 L5&L6	9.09	18.48	28.68
GAO-3618	7.39	15.04	23.33
Total	**50.02**	**102.33**	**158.94**

The following Table details the incremental EOR recovery factors, in percent of the STOIIP, used in the determinations of the above Reserves.

Block/Zone	**Proved (1P) Recovery Factor (Low)**	**Proved + Probable (2P) Recovery Factor (Best Estimate)**	**Proved + Probable + Possible (3P) Recovery Factor (High)**
Block GAO-3 L5/ L6/L7	9.50%	16.36%	21.75%
Block GAO-246	9.50%	16.36%	21.75%
Block GAO-3618	9.50%	16.36%	21.75%
Average	**9.50%**	**16.36%**	**21.75%**

5.1 Proved (1P)

The basis for the Proved Reserves is the Block GAO-3, L6/7 steam flood pilot test recovery of 5.58% to which a DCA increment of 3.91% has been added (see Sections 3.3 and 3.4). This total of 9.50% incremental RF is therefore the Proved Reserves. This represents a modest recovery but, until it is demonstrated through additional pilot testing that higher recoveries are both technically and economically viable, the 1P must be based on the known results of the 3-3-76 pilot test.

As there is only a single pilot test for all of the Blocks, the Block GAO-3 L6/L7 results have been applied to Block GAO-3 L5 and Blocks GAO-246 and 3618. The fields are geologically similar and, even though the feasibility studies for 246 and 3618 vary slightly in their results, the Reserves reported herein are based on the Block GAO-3 pilot test and feasibility study results.

5.2 Proved + Probable (2P)

The Probable Reserves have been calculated based on the 3-3-76 well group pilot test results, as the minimum, and the GAO-3 L6/L7 feasibility study incremental RF determination of 27.14% as the maximum. The result of these calculations is a 2P RF of 16.36% and represents productivity from a longer time period than was attempted in the pilot test.

There has also been consideration of ongoing improvements in the previous pilot test results due to optimization of the steam-oil ratio (SOR) and the use of insulated tubing. A CAPEX cost increment of 10% over the 1P amount has been used in the economics due to these well and steam generation equipment improvements. However, there remains the risk that the formations are neither vertically nor laterally continuous.

5.3 Proved + Probable + Possible (3P)

The higher 3P RF of 21.75% is due to projected additional optimization of steam injection, quality primary cement jobs, delayed water break-through and overall operational efficiencies. As a result, a CAPEX cost increment of 20% has been used in the economics. Achieving this level of recovery also depends on favorable reservoir conditions, including lateral and vertical continuity of the reservoirs.

5.4 Field Analogues

A search of public domain data was made in order to add to the knowledge base provided by the positive results of the 3-3-76 pilot test. Producing fields under continuous steamflood with similar reservoir and fluid properties may be used as a guideline to calculate the ultimate recoverable hydrocarbons. However, there were no commercially successful steamflood projects with formations deeper than 1500m found. GCA's in-house screening criteria indicate that, in general, for formations deeper that 1350 m, steamflooding will be less effective than in shallower zones due to thermal losses in the injector wells and formations.

There has been a nearby pilot test in Block Qi-40 of the Liaohe Field with a reported 60% recovery factor from four nine-spot patterns. However, it is not a valid analogue as the formations are much shallower, 900 to 1000m, the porosity is higher (30%) and the initial oil saturation was 75%.

6. PRODUCTION AND COST PROFILES

Production and cost profiles are presented for the GAO-3 L6 and L7 Pilot Project and its ongoing development assuming success of the pilot and for each of the further development plans of GAO-3 L5, GAO-246 and GAO-3618. Production and cost profiles are presented for the Proved, Proved + Probable and Proved + Probable + Possible cases. The production forecast for all four projects is displayed in Figure 7.

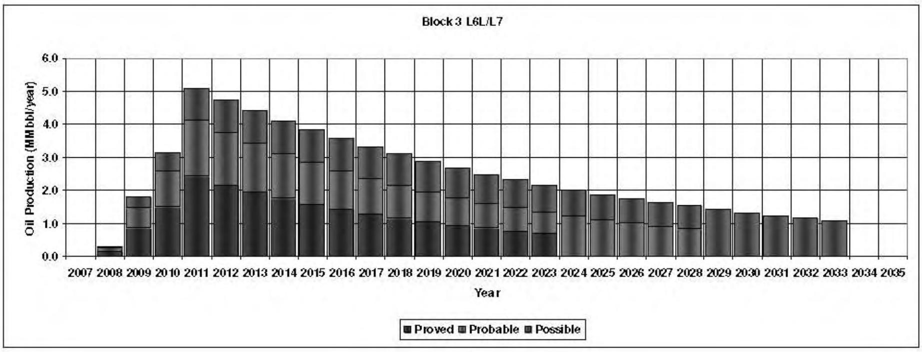
CAPEX has been based on the pilot project data and feasibility study provided by United. OPEX is based on existing operations at 864.40 CNY per ton. This is equivalent to just over US$17/Bbl and is in line with international norms for thermal recovery projects. All costs are presented in 2007 $.

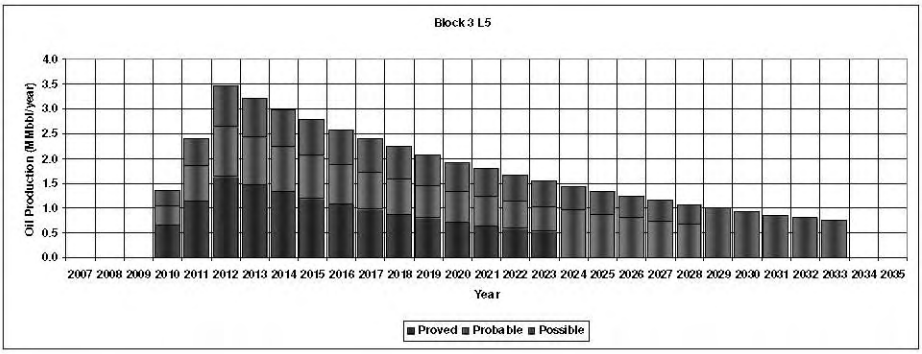
6.1 Block GAO-3 L6 and L7

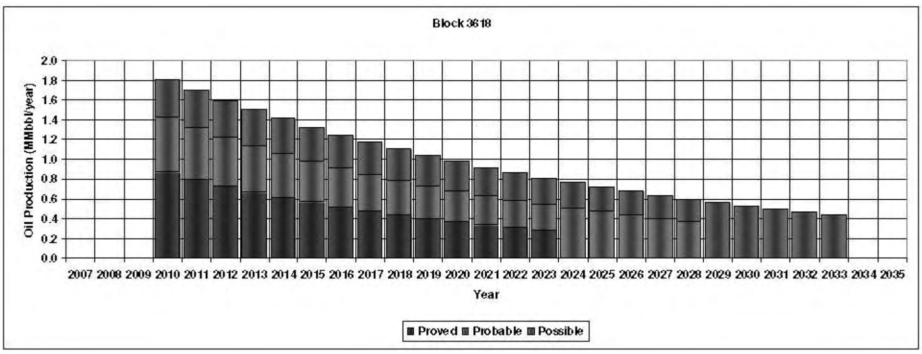
Block GAO-3 L6 and L7
Production and Cost Profiles

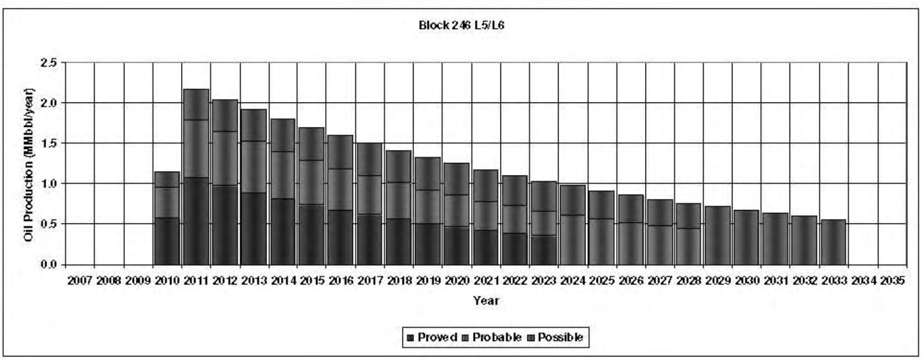
	Proved			Proved + Probable			Proved + Probable + Possible		
Year	Production (MMBbls)	CAPEX (US$MM)	OPEX (US$MM)	Production	CAPEX (US$MM)	OPEX (US$MM)	Production	CAPEX (US$MM)	OPEX (US$MM)
2007		10.97	1.54		12.06	1.35		13.16	1.35
2008	0.15		3.50	0.25		4.24	0.30		5.12
2009	0.13	44.86	2.25	0.23	49.34	3.86	0.28	53.83	4.77
2010	0.85	45.78	14.51	1.45	50.36	24.74	1.76	54.94	30.03
2011	1.49	66.28	25.55	2.56	72.91	43.73	3.13	79.54	53.55
2012	2.40		41.11	4.13		70.56	5.09		86.97
2013	2.17		37.02	3.75		64.21	4.74		80.97
2014	1.95		33.34	3.42		58.43	4.41		75.40
2015	1.76		30.03	3.11		53.16	4.11		70.20
2016	1.58		27.04	2.83		48.38	3.82		65.37
2017	1.42		24.36	2.57		44.02	3.56		60.86
2018	1.28		21.93	2.34		40.06	3.31		56.67
2019	1.16		19.75	2.13		36.45	3.09		52.77
2020	1.04		17.79	1.94		33.17	2.87		49.13
2021	0.94		16.02	1.76		30.18	2.68		45.75
2022	0.84		14.43	1.61		27.46	2.49		42.59
2023	0.76		13.00	1.46		24.99	2.32		39.66
2024				1.33		22.74	2.16		36.93
2025				1.21		20.69	2.01		34.38
2026				1.10		18.83	1.87		32.02
2027				1.00		17.13	1.74		29.81
2028				0.91		15.59	1.62		27.76
2029							1.51		25.84
2030							1.41		24.06
2031							1.31		22.41
2032							1.22		20.86
2033							1.14		19.43
TOTAL	**19.92**	**167.89**	**343.17**	**41.09**	**184.67**	**703.97**	**63.93**	**201.47**	**1,094.66**

Figure 7. Gaosheng Heavy Oil Projects Production Forecasts









6.2 Block GAO-3 L5

Block GAO-3 L5
Production and Cost Profiles

Year	Proved			Proved + Probable			Proved + Probable + Possible		
	Production (MMBbls)	CAPEX (US$MM)	OPEX (US$MM)	Production (MMBbls)	CAPEX (US$MM)	OPEX (US$MM)	Production (MMBbls)	CAPEX (US$MM)	OPEX (US$MM)
2009		68.98	1.00		75.88	1.00		82.78	1.00
2010	0.66	58.26	11.23	1.05	64.08	17.98	1.36	69.91	23.22
2011	1.14	63.62	19.50	1.84	69.98	31.48	2.39	76.34	40.92
2012	1.63		27.89	2.65		45.38	3.47		59.31
2013	1.47		25.16	2.44		41.67	3.22		55.11
2014	1.33		22.69	2.24		38.25	2.99		51.21
2015	1.20		20.47	2.05		35.12	2.78		47.58
2016	1.08		18.47	1.89		32.24	2.59		44.21
2017	0.97		16.66	1.73		29.60	2.40		41.08
2018	0.88		15.03	1.59		27.18	2.23		38.17
2019	0.79		13.56	1.46		24.95	2.07		35.47
2020	0.72		12.23	1.34		22.91	1.93		32.95
2021	0.65		11.03	1.23		21.03	1.79		30.62
2022	0.58		9.95	1.13		19.31	1.66		28.45
2023	0.53		8.98	1.04		17.73	1.55		26.44
2024				0.95		16.28	1.44		24.56
2025				0.87		14.94	1.33		22.83
2026				0.80		13.72	1.24		21.21
2027				0.74		12.60	1.15		19.71
2028				0.68		11.56	1.07		18.31
2029							0.99		17.01
2030							0.92		15.81
2031							0.86		14.69
2032							0.80		13.65
2033							0.74		12.68
TOTAL	**13.63**	**190.86**	**233.85**	**27.72**	**209.94**	**474.93**	**42.97**	**229.03**	**736.20**

6.3 Block GAO-246

Block GAO-246
Production and Cost Profiles

Year	Proved			Proved + Probable			Proved + Probable + Possible		
	Production (MMBbls)	CAPEX (US$MM)	OPEX (US$MM)	Production (MMBbls)	CAPEX (US$MM)	OPEX (US$MM)	Production (MMBbls)	CAPEX (US$MM)	OPEX (US$MM)
2009		43.24	1.00		47.56	1.00		51.88	1.00
2010	0.57	41.88	9.83	0.96	46.06	16.38	1.15	50.25	19.66
2011	1.07	14.76	18.33	1.79	16.23	30.69	2.18	17.71	37.21
2012	0.98		16.71	1.65		28.26	2.05		34.97
2013	0.89		15.24	1.52		26.02	1.92		32.88
2014	0.81		13.90	1.40		23.96	1.81		30.90
2015	0.74		12.68	1.29		22.06	1.70		29.05
2016	0.68		11.56	1.19		20.32	1.60		27.31
2017	0.62		10.55	1.09		18.71	1.50		25.67
2018	0.56		9.62	1.01		17.22	1.41		24.13
2019	0.51		8.77	0.93		15.86	1.33		22.68
2020	0.47		8.00	0.85		14.60	1.25		21.32
2021	0.43		7.30	0.79		13.45	1.17		20.04
2022	0.39		6.65	0.72		12.38	1.10		18.84
2023	0.35		6.07	0.67		11.40	1.04		17.71
2024				0.61		10.50	0.97		16.65
2025				0.57		9.67	0.92		15.65
2026				0.52		8.90	0.86		14.71
2027				0.48		8.20	0.81		13.83
2028				0.44		7.55	0.76		13.00
2029							0.71		12.22
2030							0.67		11.48
2031							0.63		10.80
2032							0.59		10.15
2033							0.56		9.54
TOTAL	**9.07**	**99.88**	**156.21**	**18.48**	**109.85**	**317.13**	**28.69**	**119.84**	**491.40**

6.4 Block GAO-3618

Block GAO-3618
Production and Cost Profiles

Year	Proved			Proved + Probable			Proved + Probable + Possible		
	Production (MMBbls)	CAPEX (US$MM)	OPEX (US$MM)	Production (MMBbls)	CAPEX (US$MM)	OPEX (US$MM)	Production (MMBbls)	CAPEX (US$MM)	OPEX (US$MM)
2009		38.24	1.00		42.07	1.00		45.89	1.00
2010	0.87		14.82	1.42		24.31	1.80		30.83
2011	0.80		13.61	1.32		22.57	1.70		29.00
2012	0.73		12.50	1.23		20.96	1.59		27.27
2013	0.67		11.48	1.14		19.47	1.50		25.64
2014	0.62		10.54	1.06		18.08	1.41		24.11
2015	0.57		9.67	0.98		16.79	1.33		22.68
2016	0.52		8.88	0.91		15.59	1.25		21.33
2017	0.48		8.16	0.85		14.47	1.17		20.05
2018	0.44		7.49	0.79		13.44	1.10		18.86
2019	0.40		6.88	0.73		12.48	1.04		17.73
2020	0.37		6.31	0.68		11.59	0.98		16.68
2021	0.34		5.80	0.63		10.76	0.92		15.68
2022	0.31		5.32	0.58		9.99	0.86		14.75
2023	0.29		4.89	0.54		9.28	0.81		13.87
2024				0.50		8.62	0.76		13.04
2025				0.47		8.00	0.72		12.27
2026				0.43		7.43	0.67		11.54
2027				0.40		6.90	0.63		10.85
2028				0.37		6.41	0.60		10.20
2029							0.56		9.59
2030							0.53		9.02
2031							0.50		8.48
2032							0.47		7.98
2033							0.44		7.50
TOTAL	**7.41**	**38.24**	**127.35**	**15.03**	**42.07**	**258.14**	**23.34**	**45.89**	**399.95**

7. FISCAL TERMS

An economic model was created in order to perform an economic limit test (ELT). Following the initial investment period, the last year in which the cash flow is positive becomes the cut-off year for reserves.

This ELT was performed utilising GCA's 3Q2007 SPE Reserves Scenario Price adjusted for the quality of the Gaosheng crude. The oil price is taken as US$44.85/Bbl, which is the average over the 12 months prior to 30th June, 2007 (actual Gaosheng oil sales price was 2,227 CNY per tonne converted to US$ at an exchange rate of the average of the 12 month period prior to 30th June, 2007 of 7.5 CNY/US$) and a volume conversion factor of 6.62 Bbls/tonne. CAPEX and OPEX were as per the cost profiles shown in Section 6 but inflated at 2% p.a. from 2008. A sensitivity case was performed using constant prices (US$44.85/Bbl) and costs, which also showed the volumes to be economic.

For all cases, the investment in wells and steam generation equipment is made in the years as noted in the Tables in Section 4.0 and EOR production commences the year thereafter.

7.1 Contract Terms

The Petroleum Contract for Enhancing Oil Recovery between CNPC and United was effective February 2007. The contract is one that provides a profit share of EOR oil to the contractor while the base (primary production) oil remains the property of CNPC.

The fiscal terms relating to the oil production are summarized below.

- The Contract term consists of the following three phases:
  - — Pilot Project
    - ○ Two years, the term of which may be extended with approval from CNPC.
  - — Development
    - ○ Begins upon approval of an EOR Plan of Development (POD) and ends when the operations defined in that POD have been completed.
  - — Production
    - ○ Shall commence on the Date of Commencement of Obtaining Commercial Incremental Oil (which is the date on which a cumulative total of Twenty Thousand (20,000) metric tons of Incremental Oil (which includes the Pilot Project) has been extracted and normally delivered) and continue for a period of 15 consecutive years, which may be extended with approval from CNPC.

- Maximum total contract term

  — 25 years from effective date, unless extended due to extension of the production period

- Minimum expenditure commitment

— Pilot project:	US$16.0 MM
— Fees payable to CNPC each year of pilot project:	US$75,000

- Pilot project investment share

— CNPC:	0%
— Contractor:	100%

- Incremental "Allocable Oil" Share (after deduction of VAT, Royalty and OPEX)

— CNPC:	40%
— Contractor:	60%

- Development CAPEX share

— CNPC:	30%
— Contractor:	70%

- Incremental OPEX share

— CNPC:	40%
— Contractor:	60%

- Reimbursement of Existing Petroleum Production (EPP) and Incremental Production (IP)

  — Upon commencement of commercial production,

  — Contractor shall produce the Base Oil (decline curve oil) on behalf of CNPC and CNPC shall reimburse to Contractor the OPEX.

- Royalty

— During the pilot project (0 to 50 x10e4 tonnes)	0%
— 50 to 100 x10e4 tonnes	2%
— Over 100 x10e4 tonnes	4%

- Value Added Tax (VAT)

  — 5% of the IP produced

- Signature Bonus

  — Payable within 30 days of signing US$200,000

- Training costs of CNPC personnel paid by Contractor:

  — Per year during pilot project phase: US$80,000
  — Per year during development phase: US$80,000

- Effective date of the economic test for the reserves is 30th June 2007

- No revenue for the potential sales of associated natural gas is included

- There is no provision for plug and abandonment costs

7.2 Special Petroleum Revenue Tax

An Special Petroleum Revenue Tax (SPRT) applicable to oil production in China has recently been enacted. The terms are understood to be as follows:

Oil Sales Price (US$/bbl)	Excess Profits Tax (%)
<40.00	nil
40.00–44.99	20
45.00–49.99	25
50.00–54.99	30
55.00–59.99	35
>60.00	40

Note: The above amounts are taken directly from a translation of a Ministry of Finance document on the subject dated 25th March 2006.

7.3 Base Oil Amounts

The contractor is required to produce the remaining primary production from the Blocks during the period of the Contract. This Base Oil is effectively the primary production decline curve oil which remains the property of CNPC and CNPC will pay the Contractor the operating costs associated with the production of this oil. By contract, the Base Oil amounts applicable to the development period will be agreed by "international practice" following the pilot project period; in fact, this process is ongoing as of the writing of this report. For the purposes of this report, only oil that is estimated to be produced as the result of the application of the planned steamflood is considered.

8. UNCERTAINTIES

The areas of uncertainty for the Blocks are as follow:

1) The feasibility studies that have recently been prepared by United and CNPC have not yet been approved by the appropriate authority. A delay in the approval process could postpone the planned investments and the associated revenue streams for the Blocks and reservoirs that are the subject of this report.

2) The Blocks are comprised of inter-layered reservoirs, primarily the L5, L6 and L7, that are known to be separated by permeability barriers in parts of the Blocks — this makes the determination of the ultimate recovery due to the application of EOR techniques more difficult.

3) The accuracy of historic production volumes on a per-well or per-reservoir basis is uncertain due to allocated and commingled production.

4) The reservoirs are known to be heterogeneous and this lack of homogeneity leads to doubts regarding whether steam will form channels or move as an even steam front.

5) Key issues such as the formation of an effective steam chest and the optimum steam-oil ratios remain unknown due primarily to the depths of the formations.

6) No cement bond logs (CBLs) were reviewed so there are potential issues regarding effective isolation of individual reservoirs. Additionally, injector performance will be unknown if there are poor primary cement jobs in those wells.

7) Uncertainty remains in the form of ranges in the initial oil in place estimates, even though a large number of wells have been drilled. This relates especially to the initial oil saturation and the amount of effective pay. Further studies such as NMR logging and/or further core analysis may reduce this uncertainty.

9. QUALIFICATIONS

GCA is an independent international energy advisory group of 43 years' standing, whose expertise includes petroleum reservoir evaluation and economic analysis.

The report is based on information compiled by professional staff members who are full time employees of GCA.

Staff who participated in the compilation of this report includes Mr. Doug Peacock, Mr. Alex Johnson and Mr. Brian Rhodes. All hold at least a bachelor's degree in geoscience, petroleum engineering or related discipline. Mr. Rhodes holds a B.Sc. (Hons) Geology, is a member of the Energy Institute, the Petroleum Exploration Society of Great Britain, the Society of Petroleum Engineers and the European Association of Geoscientists and Engineers, and has more than 33 years industry experience. Mr. Johnson holds a B.Sc in Geological Engineering, is a member of the Society of Petroleum Engineers and has over 32 years in the petroleum industry. Mr. Peacock holds a B.Sc. in Geology and a M.Sc. in Petroleum Geology, has over 23 years of industry experience, and is a member of the Petroleum Exploration Society of Great Britain, the Society of Exploration Geophysicists, and the South East Asian Petroleum Exploration Society.

10. BASIS OF OPINION

This assessment has been conducted within the context of GCA's understanding of the effects of petroleum legislation, taxation, and other regulations that currently apply to these properties. However, GCA is not in a position to attest to property title, financial interest relationships or encumbrances thereon for any part of the appraised properties.

It should be understood that any determination of reserve volumes, particularly involving petroleum developments, may be subject to significant variations over short periods of time as new information becomes available and perceptions change.

Yours sincerely,
GAFFNEY, CLINE & ASSOCIATES (CONSULTANTS) PTE LTD

Brian Rhodes
Principal Advisor

APPENDIX I

GLOSSARY

List of Standard Oil Industry Terms and Abbreviations.

ABEX	Abandonment Expenditure
ACQ	Annual Contract Quantity
oAPI	Degrees API (American Petroleum Institute)
AAPG	American Association of Petroleum Geologists
AVO	Amplitude versus Offset
A$	Australian Dollars
B	Billion (10^9)
Bbl	Barrels
/Bbl	per barrel
BBbl	Billion Barrels
BHA	Bottom Hole Assembly
BHC	Bottom Hole Compensated
Bscf or Bcf	Billion standard cubic feet
Bscfd or Bcfd	Billion standard cubic feet per day
Bm^3	Billion cubic metres
bcpd	Barrels of condensate per day
BHP	Bottom Hole Pressure
blpd	Barrels of liquid per day
bpd	Barrels per day
boe	Barrels of oil equivalent @ xxx mcf/bbl
boepd	Barrels of oil equivalent per day @ xxx mcf/bbl
BOP	Blow Out Preventer
bopd	Barrels oil per day
bwpd	Barrels of water per day
BS&W	Bottom sediment and water
BTU	British Thermal Units
bwpd	Barrels water per day
CBM	Coal Bed Methane
CO_2	Carbon Dioxide
CAPEX	Capital Expenditure
CCGT	Combined Cycle Gas Turbine
cm	centimetres
CMM	Coal Mine Methane
CNG	Compressed Natural Gas
Cp	Centipoise (a measure of viscosity)
CSG	Coal Seam Gas
CT	Corporation Tax
DCQ	Daily Contract Quantity
Deg C	Degrees Celsius
Deg F	Degrees Fahrenheit
DHI	Direct Hydrocarbon Indicator

DST	Drill Stem Test
DWT	Dead-weight ton
E&A	Exploration & Appraisal
E&P	Exploration and Production
EBIT	Earnings before Interest and Tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
EI	Entitlement Interest
EIA	Environmental Impact Assessment
EMV	Expected Monetary Value
EOR	Enhanced Oil Recovery
EUR	Estimated Ultimate Recovery
FDP	Field Development Plan
FEED	Front End Engineering and Design
FPSO	Floating Production, Storage and Offloading
FSO	Floating Storage and Offloading
ft	Foot/feet
Fx	Foreign Exchange Rate
g	gram
g/cc	grams per cubic centimetre
gal	gallon
gal/d	gallons per day
G&A	General and Administrative costs
GBP	Pounds Sterling
GDT	Gas Down to
GIIP	Gas initially in place
Gj	Gigajoules (one billion Joules)
GOR	Gas Oil Ratio
GTL	Gas to Liquids
GWC	Gas water contact
HDT	Hydrocarbons Down to
HSE	Health, Safety and Environment
HSFO	High Sulphur Fuel Oil
HUT	Hydrocarbons up to
H_2S	Hydrogen Sulphide
IOR	Improved Oil Recovery
IPP	Independent Power Producer
IRR	Internal Rate of Return
J	Joule (Metric measurement of energy. 1 kilojoule = 0.9478 BTU)
k	Permeability
KB	Kelly Bushing
KJ	Kilojoules (one Thousand Joules)
kl	Kilolitres
km	Kilometres
km^2	Square kilometres
kPa	Thousands of Pascals (measurement of pressure)

KW	Kilowatt
KWh	Kilowatt hour
LKG	Lowest Known Gas
LKH	Lowest Known Hydrocarbons
LKO	Lowest Known Oil
LNG	Liquefied Natural Gas
LoF	Life of Field
LPG	Liquefied Petroleum Gas
LTI	Lost Time Injury
LWD	Logging while drilling
m	Metres
M	Thousand
m^3	Cubic metres
Mcf or Mscf	Thousand standard cubic feet
MCM	Management Committee Meeting
MMcf or MMscf	Million standard cubic feet
m^3d	Cubic metres per day
mD	Measure of Permeability in millidarcies
MD	Measured Depth
MDT	Modular Dynamic Tester
Mean	Arithmetic average of a set of numbers
Median	Middle value in a set of values
MFT	Multi Formation Tester
mg/l	milligrammes per litre
MJ	Megajoules (One Million Joules)
Mm^3	Thousand Cubic metres
Mm^3d	Thousand Cubic metres per day
MM	Million
MMBbl	Millions of barrels
MMBTU	Millions of British Thermal Units
Mode	Value that exists most frequently in a set of values = most likely
Mscfd	Thousand standard cubic feet per day
MMscfd	Million standard cubic feet per day
MW	Megawatt
MWD	Measuring While Drilling
MWh	Megawatt hour
mya	Million years ago
NGL	Natural Gas Liquids
N_2	Nitrogen
NPV	Net Present Value
OBM	Oil Based Mud
OCM	Operating Committee Meeting
ODT	Oil down to
OPEX	Operating Expenditure
OWC	Oil Water Contact

p.a.	Per annum
Pa	Pascals (metric measurement of pressure)
P&A	Plugged and Abandoned
PDP	Proved Developed Non-producing
PI	Productivity Index
PJ	Petajoules (10^{15} Joules)
PSDM	Post Stack Depth Migration
psi	Pounds per square inch
psia	Pounds per square inch absolute
psig	Pounds per square inch gauge
PUD	Proved Undeveloped
PVT	Pressure volume temperature
P10	10% Probability
P50	50% Probability
P90	90% Probability
Rf	Recovery factor
RFT	Repeat Formation Tester
RT	Rotary Table
R_w	Resistivity of water
SCAL	Special core analysis
cf or scf	Standard Cubic Feet
cfd or scfd	Standard Cubic Feet per day
scf/ton	Standard cubic foot per ton
SL	Straight line (for depreciation)
s_o	Oil Saturation
SPE	Society of Petroleum Engineers
SPEE	Society of Petroleum Evaluation Engineers
ss	Subsea
stb	Stock tank barrel
STOIIP	Stock tank oil initially in place
s_w	Water Saturation
T	Tonnes
TD	Total Depth
Te	Tonnes equivalent
THP	Tubing Head Pressure
TJ	Terajoules (10^{12} Joules)
Tscf or Tcf	Trillion standard cubic feet
TCM	Technical Committee Meeting
TOC	Total Organic Carbon
TOP	Take or Pay
Tpd	Tonnes per day
TVD	True Vertical Depth
TVDss	True Vertical Depth Subsea
USGS	United States Geological Survey
U.S.$	United States Dollar
VSP	Vertical Seismic Profiling

WC	Water Cut
WI	Working Interest
WPC	World Petroleum Council
WTI	West Texas Intermediate
wt%	Weight percent
1H05	First half (6 months) of 2005 (example of date)
2Q06	Second quarter (3 months) of 2006 (example of date)
2D	Two dimensional
3D	Three dimensional
4D	Four dimensional
1P	Proved Reserves
2P	Proved plus Probable Reserves
3P	Proved plus Probable plus Possible Reserves
%	Percentage

APPENDIX II

SPE PRMS DEFINITIONS

Society of Petroleum Engineers, World Petroleum Council, American Association of Petroleum Geologists and Society of Petroleum Evaluation Engineers

Petroleum Resources Management System

Definitions and Guidelines [(1)]

March 2007

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.

International efforts to standardize the definition of petroleum resources and how they are estimated began in the 1930s. Early guidance focused on Proved Reserves. Building on work initiated by the Society of Petroleum Evaluation Engineers (SPEE), SPE published definitions for all Reserves categories in 1987. In the same year, the World Petroleum Council (WPC, then known as the World Petroleum Congress), working independently, published Reserves definitions that were strikingly similar. In 1997, the two organizations jointly released a single set of definitions for Reserves that could be used worldwide. In 2000, the American Association of Petroleum Geologists (AAPG), SPE and WPC jointly developed a classification system for all petroleum resources. This was followed by additional supporting documents: supplemental application evaluation guidelines (2001) and a glossary of terms utilized in Resources definitions (2005). SPE also published standards for estimating and auditing reserves information (revised 2007).

These definitions and the related classification system are now in common use internationally within the petroleum industry. They provide a measure of comparability and reduce the subjective nature of resources estimation. However, the technologies employed in petroleum exploration, development, production and processing continue to evolve and improve. The SPE Oil and Gas Reserves Committee works closely with other organizations to maintain the definitions and issues periodic revisions to keep current with evolving technologies and changing commercial opportunities.

[1] These Definitions and Guidelines are extracted from the Society of Petroleum Engineers/World Petroleum Council/American Association of Petroleum Geologists/Society of Petroleum Evaluation Engineers (SPE/WPC/AAPG/SPEE) Petroleum Resources Management System document ("SPE PRMS"), approved in March 2007.

The SPE PRMS document consolidates, builds on, and replaces guidance previously contained in the 1997 Petroleum Reserves Definitions, the 2000 Petroleum Resources Classification and Definitions publications, and the 2001 "Guidelines for the Evaluation of Petroleum Reserves and Resources"; the latter document remains a valuable source of more detailed background information.

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 SPE PRMS 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.

The full text of the SPE PRMS Definitions and Guidelines can be viewed at:
www.spe.org/specma/binary/files/6859916Petroleum_Resources_Management_System2007.pdf

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.

Approved for Development

A discovered accumulation where project activities are ongoing to justify commercial development in the foreseeable future.

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.

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.

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.

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.

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.

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.

Developed Non-Producing Reserves

Developed Non-Producing Reserves include shut-in and behind-pipe Reserves

Shut-in Reserves are expected to be recovered from:

(1) completion intervals which are open at the time of the estimate but which have not yet started producing,

(2) wells which were shut-in for market conditions or pipeline connections, or

(3) wells not capable of production for mechanical reasons.

Behind-pipe Reserves are expected to be recovered from zones in existing wells which will require additional completion work or future re-completion prior to start of production. In all cases, production can be initiated or restored with relatively low expenditure compared to the cost of drilling a new well.

Undeveloped Reserves

Undeveloped Reserves are quantities expected to be recovered through future investments:

(1) from new wells on undrilled acreage in known accumulations,

(2) from deepening existing wells to a different (but known) reservoir,

(3) from infill wells that will increase recovery, or

(4) where a relatively large expenditure (e.g. when compared to the cost of drilling a new well) is required to

  (a) recomplete an existing well or

  (b) install production or transportation facilities for primary or improved recovery projects.

CONTINGENT RESOURCES

Those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects, but which are not currently considered to be commercially recoverable due to one or more contingencies.

Contingent Resources may include, for example, projects for which there are currently no viable markets, or where commercial recovery is dependent on technology under development, or where evaluation of the accumulation is insufficient to clearly assess commerciality. Contingent Resources are further categorized in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by their economic status.

Development Pending

A discovered accumulation where project activities are ongoing to justify commercial development in the foreseeable future.

The project is seen to have reasonable potential for eventual commercial development, to the extent that further data acquisition (e.g. drilling, seismic data) and/or evaluations are currently ongoing with a view to confirming that the project is commercially viable and providing the basis for selection of an appropriate development plan. The critical contingencies have been identified and are reasonably expected to be resolved within a reasonable time frame. Note that disappointing appraisal/evaluation results could lead to a re-classification of the project to "On Hold" or "Not Viable" status. The project "decision gate" is the decision to undertake further data acquisition and/or studies designed to move the project to a level of technical and commercial maturity at which a decision can be made to proceed with development and production.

Development Unclarified or on Hold

A discovered accumulation where project activities are on hold and/or where justification as a commercial development may be subject to significant delay.

The project is seen to have potential for eventual commercial development, but further appraisal/evaluation activities are on hold pending the removal of significant contingencies external to the project, or substantial further appraisal/evaluation activities are required to clarify the potential for eventual commercial development. Development may be subject to a significant time delay. Note that a change in circumstances, such that there is no longer a reasonable expectation that a critical contingency can be removed in the foreseeable future, for example, could lead to a reclassification of the project to "Not Viable" status. The project "decision gate" is the decision to either proceed with additional evaluation designed to clarify the potential for eventual commercial development or to temporarily suspend or delay further activities pending resolution of external contingencies.

Development Not Viable

A discovered accumulation for which there are no current plans to develop or to acquire additional data at the time due to limited production potential.

The project is not seen to have potential for eventual commercial development at the time of reporting, but the theoretically recoverable quantities are recorded so that the potential opportunity will be recognized in the event of a major change in technology or commercial conditions. The project "decision gate" is the decision not to undertake any further data acquisition or studies on the project for the foreseeable future.

PROSPECTIVE RESOURCES

Those quantities of petroleum which are estimated, as of a given date, to be potentially recoverable from undiscovered accumulations.

Potential accumulations are evaluated according to their chance of discovery and, assuming a discovery, the estimated quantities that would be recoverable under defined development projects. It is recognized that the development programs will be of significantly less detail and depend more heavily on analog developments in the earlier phases of exploration.

Prospect

A project associated with a potential accumulation that is sufficiently well defined to represent a viable drilling target.

Project activities are focused on assessing the chance of discovery and, assuming discovery, the range of potential recoverable quantities under a commercial development program.

Lead

A project associated with a potential accumulation that is currently poorly defined and requires more data acquisition and/or evaluation in order to be classified as a prospect.

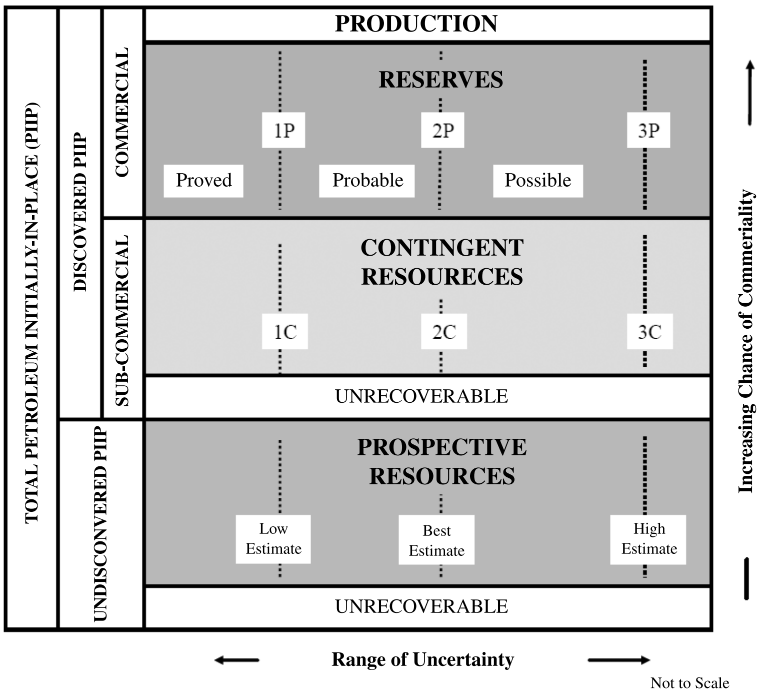
Project activities are focused on acquiring additional data and/or undertaking further evaluation designed to confirm whether or not the lead can be matured into a prospect. Such evaluation includes the assessment of the chance of discovery and, assuming discovery, the range of potential recovery under feasible development scenarios.

Play

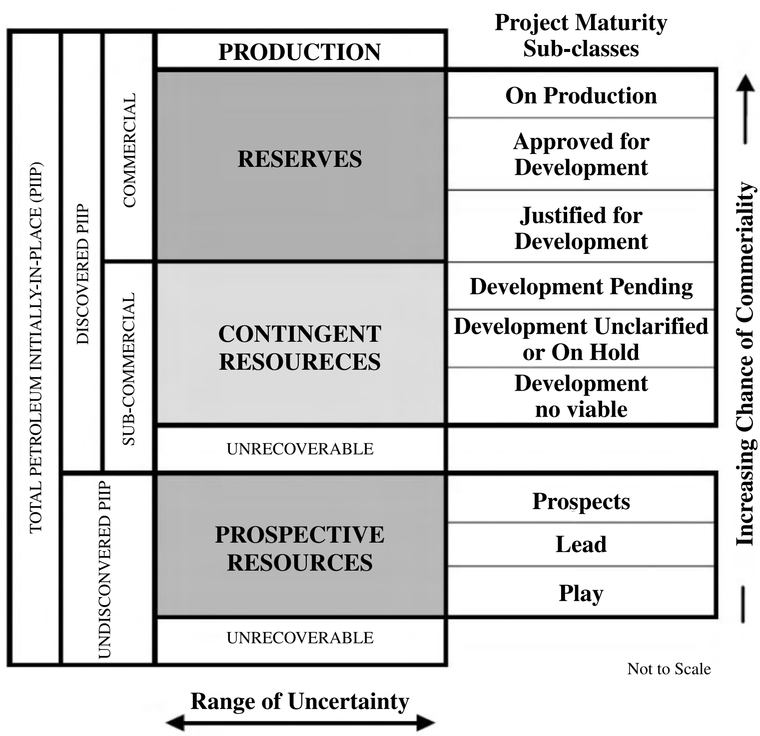
A project associated with a prospective trend of potential prospects, but which requires more data acquisition and/or evaluation in order to define specific leads or prospects.

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.

Categories of Resources



Project Maturity Sub-classes



1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts not contained herein the omission of which would make any statement contained in this circular misleading.

DISCLOSURE OF INTERESTS

(i) Interests of Directors

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company and their associates in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), the Model Code for Securities Transactions by Directors and which were required to be entered into the register pursuant to section 352 of the SFO; and the interests and short positions of the Directors in the Shares and the 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, are as follows:

Name of Director	Name of Company	Nature of interests	Number of Shares Long position	Short position	Approximate % shareholding
Zhang Hongwei	The Company	Corporate *(Note)*	5,128,169,125	—	74.58%
Zhu Jun	The Company	Beneficial	1,443,000	—	0.02%

Notes: 5,128,169,125 Shares were beneficially held by Mr. Zhang Hongwei through He Fu.

Saved as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company and their associates had any interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), the Model Code for Securities Transactions by Directors of Listed Companies and which were required to be entered into the register required to be kept under section 352 of the SFO; and none of the Directors is a director or employee of a company which had an interest or short position in the shares and the 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.

As at the Latest Practicable Date, save for the Acquisition Agreement in which Mr. Zhang has personal interest, none of the Directors was materially interested in any contract or arrangement entered into by any members of the Enlarged Group subsisting at the Latest Practicable Date which was significant in relation to the business of the Enlarged Group; and none of the Directors had any direct or indirect interest in any assets which had been, since 31st March, 2007 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Enlarged Group, or which were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

(ii) Interests of substantial Shareholders

As at the Latest Practicable Date, so far as is known to the Directors and the chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the Shares and underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or recorded in the register kept by the Company pursuant to Section 336 of the SFO or were otherwise notified to the Company were as follows:

Name	Capacity and nature of interest	Number of Shares	Approximate % of shareholding
He Fu	Beneficial owner	5,128,169,125	74.58

So far as is known to any Director or chief executive of the Company, as at the Latest Practicable Date, the following shareholders were interested in 10% or more of the equity interests of the following members of the Enlarged Group:

Name of member of the Enlarged Group	Name of shareholder	Number of shares held	Percentage of shareholding
Shenyang Dadongfang Property Development Company Limited	Beijing Glory Real Estate Co Ltd.	N/A	29%
Shenyang Shengtaiyuan Logistics Company Limited	Beijing Bailida Logistics Company Limited	N/A	20%
United Petroleum *(Note 1)*	Kowin Limited	7,500	15%
United Petroleum *(Note 1)*	United Energy Holdings Limited *(Note 2)*	17,000	34%
United Petroleum *(Note 1)*	United Petroleum & Natural Gas Holdings Limited *(Note 2)*	25,500	51%

Notes:

1. Acquisition of United Petroleum has not yet been completed as at the Latest Practicable Date.

2. These companies are wholly-owned by Mr. Zhang.

Save as disclosed above, the Directors and the chief executive of the Company were not aware that there was any person (other than a Director or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, or had any options in respect of such capital.

3. MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business of the Enlarged Group, have been entered into by members of the Enlarged Group within the two years immediately preceding the Latest Practicable Date and are, or may be, material:

(a) an acquisition agreement dated 22 September 2005 supplemented by 2 supplementary agreements entered into between the Company as the purchaser and He Fu as the Vendor for the acquisition of Grand Hope Group Limited at a consideration of HK$508,000,000;

(b) a cooperation agreement dated 26 July 2006 entered into between Shenyang Dadongfang Property Development Co., Ltd. and Beijing Glory Real Estate Co., Ltd. in relation to the joint development of the Southern part of Lian He Road, Dadong District, Shenyang;

(c) a disposal agreement dated 10 November 2006 entered into between Fine Profit Corporation Limited, a wholly-owned subsidiary of the Company and Union Step Limited for the disposal of 5/F and 6/F and car parking spaces No. 33, 34 and 50, G/F, Kwai Shun Industrial Centre, Nos. 51-63 Container Port Road, Kwai Chung NT at a consideration of HK$33,330,000; and

(d) the Acquisition Agreement.

Save as disclosed above, none of the members of the Enlarged Group has entered into any contracts (not being contracts entered into in the ordinary course of business) within the two years preceding the date of this circular that are or may be material.

4. EXPERTS AND CONSENTS

The followings are the qualifications of the experts who have given opinions or advice which are contained in this circular:

Name	Qualification
Hercules Capital Limited	Licensed corporation to carry out type 6 (advising on corporate finance) regulated activities under the SFO
RSM Nelson Wheeler	Certified public accountants
BMI Appraisals Limited	Professional valuers
Gaffney, Cline & Associates (Consultants) Pte Ltd	Technical Expert

Hercules Capital Limited, RSM Nelson Wheeler, BMI Appraisals Limited and Gaffney, Cline & Associates (Consultants) Pte Ltd have given and have not withdrawn their respective written consents to the issue of this circular with the inclusion herein of their respective letters and reports (as the case may be) and references to their respective names, in the form and context in which they respectively appear.

As at the Latest Practicable Date, none of Hercules Capital Limited, RSM Nelson Wheeler, BMI Appraisals Limited and Gaffney, Cline & Associates (Consultants) Pte Ltd was beneficially interested in the share capital of any member of the Enlarged Group, nor did they 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 they have any interest, either direct or indirect, in any assets which had been since 31st March, 2007 (being the date to which the latest published audited accounts of the Company were made up) acquired or disposed of by or leased to any member of the Enlarged Group or which were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any service contracts with any member of the Enlarged Group which were not expiring or determinable by the employer within one year without payment of compensation other than statutory compensation.

6. LITIGATION

As at the Latest Practicable Date, none of the members of the Enlarged Group was engaged in any litigation or claims of material importance pending or threatened against any member of the Enlarged Group.

7. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and his/her respective associates was considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group other than those businesses to which the Directors and his/her associates were appointed to represent the interests of the Company and/or the Group.

8. MISCELLANEOUS

(i) The secretary of the Company is Ms Judy Ngan. Ms Ngan is an associate member of The Hong Kong Institute of Chartered Secretaries.

(ii) The qualified accountant of the Company is Mr. Ho Yuk Ming, Hugo who is an associate member of the HKICPA.

(iii) The Hong Kong branch share register and transfer office of the Company is Secretaries Limited situated at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(iv) The registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

(v) The English text of this circular and the accompanying proxy form shall prevail over its Chinese text.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the principal place of business of the Company from the date of this circular up to and including 3 October 2007.

(i) the memorandum of association and bye-laws of the Company;

(ii) the annual reports of the Company for the three years ended 31st March, 2005, 2006 and 2007;

(iii) the letter from the Independent Board Committee, the text of which is set out on page 25 of this circular;

(iv) the letter from the Independent Financial Adviser, the text of which is set out on pages 26 to 43 of this circular;

(v) the accountants' report of United Petroleum, the text of which is set out on pages 44 to 62 of this circular;

(vi) the pro forma financial information of the Enlarged Group and the letter from RSM Nelson Wheeler regarding the same, the texts of which are set out on pages 105 to 109 of this circular;

(vii) the technical assessment report by Gaffney, Cline & Associates (Consultants) Pte Ltd, the texts of which are set out on pages 118 to 169 of this circular;

(viii) the valuation report, by BMI Appraisals Limited as referred to on pages 110 and 117 of this circular;

(ix) the material contracts referred to in the section headed "Material Contracts" in this Appendix;

(x) the written consents referred to in paragraph 4 headed "Experts and consents" of this appendix;

(xi) the Acquisition Agreement; and

(xii) the Supplemental Agreement.

ORIENT RESOURCES GROUP COMPANY LIMITED

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

(Stock Code: 467)

NOTICE IS HEREBY GIVEN that a special general meeting of the shareholders of Orient Resources Group Company Limited (the "**Company**") will be held at Meeting Room, Island Pacific Hotel, 152 Connaught Road West, Hong Kong on Wednesday, 3 October 2007 at 3:00 p.m. for the purpose of considering and, if thought fit, passing the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTION

"**THAT** the agreement (the "**Acquisition Agreement**") dated 8 August 2007 entered into between (i) the Company; (ii) United Energy Holdings Limited, United Petroleum & Natural Gas Holdings Limited and Kowin Limited, as vendors ("**Vendors**"); and (iii) Mr. Zhang Hongwei, Ms. Sun Kin and Mr. Li Changhe, as warrantors, a copy of which is tabled at the meeting and marked "A" and initialled by the chairman of the meeting for identification purpose, pursuant to which the Company agreed to purchase and the Vendors agreed to sell the entire issued share capital of and shareholder's loan owing by United Petroleum & Natural Gas Investments Limited ("**United Petroleum**") at a consideration of HK$7,288,644,294 (subject to the adjustment in relation to the total amount of shareholder's loan outstanding as at completion of the Acquisition Agreement in accordance with the terms and conditions of the Acquisition Agreement) (the "**Acquisition**") be and is hereby approved, ratified and confirmed and the directors of the Company be and are hereby authorized to take such actions as are necessary or expedient to give effect to the transactions contemplated under the Acquisition Agreement, including but not limited to the allotment and issue of the Consideration Shares at the issue price of HK$1.61 per Consideration Share in satisfaction of the entire amount of the Consideration."

By Order of the Board
Orient Resources Group Company Limited
Zhang Hongwei
Executive Director

17 September 2007

Principal office in Hong Kong:
Unit 2112
Two Pacific Place
88 Queensway
Hong Kong

Notes:

1. A form of proxy for use at the meeting is enclosed herewith.

2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of any officer, attorney or other person authorised to sign the same.

3. Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him/her. A proxy need not be a member of the Company.

4. 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 such power or authority, must be lodged at the office of the Company's Hong Kong branch share registrars and transfer office, Secretaries Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the meeting or any adjourned meeting thereof (as the case may be).

5. Completion and return of the form of proxy will not preclude members from attending and voting in person at the meeting or at any adjourned meeting thereof (as the case may be) should they so wish, and in such event, the form of proxy shall be deemed to be revoked.

6. Where there are joint registered holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the meeting, whether in person or by proxy, the joint registered holder present whose name stands first on the register of members in respect of the shares shall be accepted to the exclusion of the votes of the other registered holders.