CIRCULAR DATED 15 JULY 2009

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

This Circular is issued by Tri-M Technologies (S) Limited (the "Company"). If you are in any doubt about its contents or the action you should take, you should consult your bank manager, stockbroker, solicitor, accountant or other professional independent adviser immediately.

If you have sold or transferred your ordinary shares in the capital of the Company, please forward this Circular, the Notice of Extraordinary General Meeting and the attached Proxy Form immediately to the purchaser or to the bank, stockbroker or agent through whom the sale or transfer was effected, for onward transmission to the purchaser.

The Singapore Exchange Securities Trading Limited assumes no responsibility for the accuracy of any of the statements or opinions made, reports contained in this Circular.

The approval-in-principle of the SGX-ST is not to be taken as an indication of the merit of the Proposed Transactions (as defined in this Circular), the Company or its subsidiaries.

TRI-M TECHNOLOGIES (S) LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number: 198701138Z)

CIRCULAR TO SHAREHOLDERS

in relation to

1. **THE PROPOSED ACQUISITION BY THE COMPANY OF THE ENTIRE ISSUED SHARE CAPITAL OF KINGWORLD RESOURCES LIMITED AS A MAJOR TRANSACTION;**
2. **THE PROPOSED ACQUISITION AS AN INTERESTED PERSON TRANSACTION;**
3. **THE PROPOSED ALLOTMENT AND ISSUE OF 112.5 MILLION CONSIDERATION SHARES TO DIRECTORS OR SUBSTANTIAL SHAREHOLDERS AND THEIR ASSOCIATES AT THE ISSUE PRICE OF S$0.80 PER SHARE;**
4. **THE PROPOSED DIVERSIFICATION OF BUSINESS; AND**
5. **THE PROPOSED CONVERSION OF THE LOANS AMOUNTING TO AN AGGREGATE S$12.0 MILLION OWING TO SURREYVILLE PTE LTD BY THE COMPANY INTO 15.0 MILLION SHARES IN THE CAPITAL OF THE COMPANY AT THE ISSUE PRICE OF S$0.80 PER SHARE,**

(collectively "the Proposed Transactions").

INDEPENDENT FINANCIAL ADVISER TO THE INDEPENDENT DIRECTORS

PRIMEPARTNERS CORPORATE FINANCE PTE. LTD.

(Company Registration No.:200207389D)
(Incorporated in the Republic of Singapore)

IMPORTANT DATES AND TIMES

Last date and time for lodgement of Proxy Form	:	Tuesday, 28 July 2009, at 10.00 a.m.
Date and time of Extraordinary General Meeting	:	Thursday, 30 July 2009, at 10.00 a.m.
Place of Extraordinary General Meeting	:	Raffles City Convention Centre 2 Stamford Road, Minto Room, Level 4 Singapore 178882

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In this Circular, the following definitions shall apply throughout unless the context otherwise requires or otherwise stated:

"Act" or "Companies Act"	:	The Companies Act, Chapter 50 of Singapore, as amended or modified from time to time
"Associate"	:	(a) in relation to any Director, chief executive officer, Substantial Shareholder or Controlling Shareholder (being an individual) means:- (i) his immediate family; (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more, (b) in relation to a Substantial Shareholder or a Controlling Shareholder (being a company) means any company which is its subsidiary or holding company or is a subsidiary of any such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more.
"Board"	:	The board of directors of the Company as at the Latest Practicable Date
"Business Day"	:	A day (other than Saturday, Sunday or public holiday) on which banks are open for business in Singapore
"CDP"	:	The Central Depository (Pte) Limited
"Circular"	:	This circular to Shareholders dated 15 July 2009 in respect of the Proposed Transactions
"CNPC"	:	China National Petroleum Corporation
"Company"	:	Tri-M Technologies (S) Limited
"Completion"	:	The completion of the sale and purchase of the Sale Shares pursuant to the SPA
"Completion Date"	:	Such date to be specified by the Company for Completion to take place in a written notice to the Vendors at least 14 Business Days prior to the specified completion date, which shall not be later than two weeks after the fulfilment of the conditions precedent contained in the SPA
"Consideration Shares"	:	The new Shares to be issued by the Company to the Vendors as consideration for the purchase of the Sale Shares subject to the terms and upon the conditions contained in the SPA

"Contract Area"	:	The total area of approximately 254.9 square kilometers in the Fuyu 1 Block covered by the Petroleum Contract
"Control"	:	The capacity to dominate decision-making, directly or indirectly, in relation to the financial and operating practice of the Company
"Controlling Shareholder"	:	A person who: (a) holds directly or indirectly 15% or more of the issued share capital of the Company; or (b) in fact exercises Control over the Company
"Debt Conversion Deed"	:	The conditional debt conversion deed entered into between the Company and SPL dated 18 August 2008
"Debt Conversion Shares"	:	The new Shares in the capital of the Company to be issued and allotted at an issue price of S$0.80 per Share to SPL to repay the Loans, pursuant to the Debt Conversion Deed, as amended and varied by the Supplemental Deed
"Directors"	:	The directors of the Company as at the date of this Circular
"Economic Evaluation Report"	:	The economic evaluation report dated 30 April 2009 issued by GCA in relation to the Proposed Acquisition, as set out in Appendix D of this Circular
"EGM"	:	Extraordinary general meeting
"EMV"	:	Expected Monetary Value
"Fuyu 1 Block"	:	Block 1 of Fuyu in the Songliao Basin, Jilin Province, PRC
"FY"	:	Financial year of the Company ended or ending 31 December (as the case may be)
"GCA"	:	Gaffney, Cline & Associates (Consultants) Pte Ltd
"Group"	:	The Company and its Subsidiaries
"IFA"	:	PrimePartners Corporate Finance Pte. Ltd.
"Interested Person"	:	Has the meaning ascribed to it in the Listing Manual
"Interested Person Transactions" or "IPT"	:	Transactions proposed to be entered or entered into between the Company, its Directors, Substantial Shareholders and their Associates and has the meaning ascribed to it in the Listing Manual
"Issue Price"	:	The issue price of S$0.80 for each Consideration Share
"KRL"	:	Kingworld Resources Limited

"Latest Practicable Date"	:	30 June 2009, being the latest practicable date prior to the printing of this Circular
"Listing Manual"	:	The listing manual of the SGX-ST and its relevant rule(s), as amended or modified from time to time
"Loans"	:	The interest-free shareholders' loans granted by SPL to the Company from time to time
"LPS"	:	Loss per Share
"NAV"	:	Net asset value
"NPV"	:	Net present value
"NTA"	:	Net tangible assets
"Overall Development Plan"	:	The overall development program submitted by KRL in respect of the Contract Area
"Parties"	:	The Company and the Vendors
"PetroChina"	:	PetroChina Company Limited (中国石油天然气股份有限公司), a subsidiary of CNPC
"Petroleum Contract"	:	The petroleum production sharing contract dated 12 November 2007 between China National Petroleum Corporation and KRL in relation to the joint development and production of hydrocarbon resources at the Fuyu 1 Block
"PRC"	:	People's Republic of China
"PRC Branch"	:	Kingworld Resources Limited, China branch company
"Proposed Acquisition"	:	The proposed acquisition by the Company of the Sale Shares pursuant to the terms of the SPA
"Proposed Debt Conversion"	:	The proposed repayment of the amount of the Loans by way of the issue and allotment of Debt Conversion Shares to SPL
"Proposed Diversification of Business"	:	The proposed diversification of the Group's principal activities to that of developing petroleum resources and producing petroleum for sale
"Proposed Transactions"	:	The Proposed Acquisition, Proposed Diversification of Business and Proposed Debt Conversion
"Purchase Consideration"	:	The sum of S$110.0 million being the aggregate consideration for the purchase of the Sale Shares
"Sale Shares"	:	All ordinary shares representing 100% of the total issued capital of KRL at Completion
"Securities Account"	:	The securities account maintained by a Depositor with CDP (but does not include a securities sub-account)

"SFA" or "Securities and Futures Act"	:	The Securities and Futures Act (Chapter 289) of Singapore, as amended or modified from time to time
"SGX-ST"	:	Singapore Exchange Securities Trading Limited
"Shareholders"	:	The registered holders of the Shares in the register of members of the Company, except where the registered holder is CDP, the term "Shareholders" shall, in relation to such Shares and where the context so admits, mean the Depositors whose Securities Accounts are credited with such Shares
"Shares"	:	Fully paid ordinary shares in the capital of the Company
"SPA"	:	The definitive sale and purchase agreement dated 18 August 2008 between the Company and the Vendors relating to the proposed acquisition of the Sale Shares from the Vendors respectively in accordance with the prescribed portion set out in the SPA
"SPE"	:	Society of Petroleum Engineers
"SPL"	:	Surreyville Pte Ltd
"Substantial Shareholder"	:	A person (including a corporation) who holds, directly or indirectly, 5% or more of the total issued share capital of the Company
"Supplemental Agreement"	:	The supplemental agreement dated 27 April 2009 made between the Company and the Vendors for the amendment and variation of certain provisions in the SPA
"Supplemental Deed"	:	The supplemental deed dated 29 April 2009 made between the Company and SPL for the amendment and variation of certain provisions in the Debt Conversion Deed
"Technical Report"	:	The technical report dated 30 April 2009 issued by GCA in respect of the hydrocarbon assets in the Fuyu 1 Block, as set out in Appendix C of this Circular
"Vendors"	:	Tan Sri Datuk Sir Tiong Hiew King and Tiong Kiu King

Currencies, Units and Others

"%" or "per cent"	:	Per centum or percentage
"bbl"	:	Barrels
"mbbl"	:	Thousand barrels
"mmbbl"	:	Million barrels
"mmtonnes"	:	Million tonnes
"mt"	:	Metric tonne

"sq km"	:	Square kilometer
"S$", "$" or "cents"	:	Singapore dollars and cents respectively
"US$"	:	United States of America dollars

The terms "Depositor", "Depository Agent" and "Depository Register" shall have the same meanings ascribed to them respectively in Section 130A of the Companies Act. The term "Subsidiary" shall have the meaning ascribed to it in Section 5 of the Companies Act.

Words importing the singular shall, where applicable, include the plural and *vice versa*, and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. References to persons shall include corporations.

Any reference in this Circular to any statute or enactment is a reference to that statute or enactment as for the time being amended or re-enacted. Any word or term defined under the Companies Act, the SFA, the Listing Manual or any statutory modification thereof and used in this Circular shall, where applicable, have the meaning ascribed to it under the Companies Act, the SFA, the Listing Manual or any statutory modification thereof, as the case may be, unless otherwise provided.

Any reference to any agreement or document shall include such agreement or document as amended, modified, varied, novated, supplemented or replaced from time to time.

Any reference in this Circular to shares being allotted to a person includes allotment to CDP for the account of that person.

Any reference to a time of day and to dates in this Circular shall be a reference to Singapore time and dates, unless otherwise stated.

Any discrepancies in this Circular between the sum of the figures stated and the total thereof are due to rounding. Accordingly, figures shown as totals in this Circular may not be an arithmetic aggregation of the figures which precede them.

Certain names with Chinese characters have been translated into English. Such translations are provided solely for the convenience of Singapore-based Shareholders. They may not be registered with the relevant PRC authorities and should not be construed as representations that the English names actually represent the Chinese characters.

GLOSSARY OF TECHNICAL TERMS

The glossary contains an explanation of certain terms used in this Circular in connection with our Group. The terms and their assigned meanings may not correspond to standard industry or common meanings, as the case may be, or usage of these terms.

"artificial lift"	:	The use of artificial means (such as a pump) to increase the flow of liquids, such as crude oil or water, to the surface of a production well
"basin"	:	Areas where sedimentary rocks have accumulated over time, which are regarded as potential prospects for oil exploration
"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
"geological"	:	The scientific study of the origin, history and structure of the Earth
"Huff 'n' Puff method"	:	In this method steam is used to heat and reduce the viscosity of the oil and thereby allow the oil to move more easily to the wellbore. This method is also known as cyclic steam stimulation and consists of 3 stages – steam injection, "soaking" or "curing" and oil production. Sufficient steam is injected and the steam is usually left to "soak" for some time (typically not more than a few days) and the heated oil is then extracted from the same well. Production will decline as the oil cools down and the steps are repeated again while it is still economic to do so.
"intracratonic rift"	:	Basins which form within the Earth's crust and are often filled by shallow-water continental lake or river deposits, or with marine sediments.
"oilfield"	:	Production area within an oil contract area
"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
"steam flooding method"	:	This method is usually referred to as steam flood or steam drive. During this process steam is injected from one well to heat the surrounding oil in the reservoir and the oil is driven towards and produced from a production well. At least two wells are required in this process but the majority of the steam flooding projects are pattern floods consisting of a few oil production wells surrounding a steam injection well.
"subsurface"	:	Area located below the surface of the Earth, or below the sea bottom and is often discussed in the context of oil well drilling and production.

"STOIIP"	:	Abbreviation for Stock Tank Oil Initially In Place, being the total hydrocarbon content of an oil reservoir
"thermal recovery"	:	A generic term for oil extraction techniques aimed at increasing the amount of oil that may be recovered from an oilfield by using heat to reduce viscosity of oil and enhance its potential to flow. The two main thermal recovery methods are Huff 'n' Puff and steam flooding

TRI-M TECHNOLOGIES (S) LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number: 198701138Z)

Directors

Tan Sri Datuk Sir Tiong Hiew King (Executive Chairman)
Dato' Sri Dr Tiong Ik King (Executive Director)
Foo Sac Phoon (Executive Director and Chief Executive Officer)
Abbasbhoy Haider Nakhoda (Independent Non-Executive Director)
Lee Hock Lye (Independent Non-Executive Director)
Yeo Yun Seng Bernard (Independent Non-Executive Director)

Registered Office

25 Kallang Avenue #07-01
Singapore 339416

15 July 2009

To: The Shareholders of Tri-M Technologies (S) Limited

Dear Sir/Madam

THE PROPOSED ACQUISITION BY THE COMPANY OF THE ENTIRE ISSUED SHARE CAPITAL OF KINGWORLD RESOURCES LIMITED AS A MAJOR TRANSACTION AND AN INTERESTED PERSON TRANSACTION, THE PROPOSED DIVERSIFICATION OF BUSINESS AND THE PROPOSED DEBT CONVERSION

1. INTRODUCTION

1.1 Background

On 14 March 2008, the Board announced that the Company had on 14 March 2008 executed a non-binding Memorandum of Understanding relating to the Proposed Acquisition.

On 18 August 2008, the Board announced that the Company had on 18 August 2008 executed a SPA relating to the Proposed Acquisition of 50,000 ordinary shares representing 100% of the total issued shares in the capital of KRL by the Company from the Vendors for the purchase consideration of S$203.0 million. The purchase consideration will be satisfied by the payment of a cash consideration of S$23.0 million and the issue of 180 million Consideration Shares at the Issue price of S$1.00 per share to the Vendors in proportion to their ownership in the Sale Shares.

On 27 April 2009, the Board further announced that the Company had on 27 April 2009 entered into a Supplemental Agreement to amend and vary the terms of the SPA, *inter alia*, as follows:

(a) Amendment of the purchase consideration from S$203.0 million to S$110.0 million, to be satisfied by the Company in the following manner:

  (i) the payment of a cash consideration of S$20.0 million; and

  (ii) the issue of 112.5 million Consideration Shares at the Issue Price of S$0.80 for each Consideration Share;

(b) Extension of the timeline for the fulfilment of the conditions precedent provided in the SPA from 6 months to 15 months from the date of the SPA; and

(c) Amendment of the amount of Shareholders' Loan from "S$6,972,659 as at 30 June 2008" to "S$8,366,121 as at 31 December 2008".

Due to the continuing operations of KRL at Fuyu 1 Block while the Company seeks shareholders approval for the Proposed Acquisition, the Vendors have continued to fund the working capital needs of KRL through the provision of shareholders' loan. The Shareholders' Loan provided in the SPA has been amended from "S$6,972,659 as at 30 June 2008" to "S$8,366,121 as at 31 December 2008" to reflect the actual amounts owing to the Vendors as at 31 December 2008.

KRL is a company incorporated in the British Virgin Islands and has an issued and paid-up capital of US$50,000 comprising 50,000 ordinary shares of par value of US$1.00 each. Together with its branch company in the PRC, Kingworld Resources Limited, China branch company, KRL is principally engaged in the business of development and production of petroleum resources.

On 12 November 2007, CNPC signed the Petroleum Contract with KRL in relation to the joint development and production of hydrocarbon resources at the Fuyu 1 Block, with crude oil being its end product. The total area covered by the Petroleum Contract is approximately 254.9 sq km.

Currently, KRL is only engaged in the development and production of crude oil from the Fuyu 1 Block, and its interest and entitlement to the crude oil to be produced from the Fuyu 1 Block pursuant to the Petroleum Contract is the underlying asset of KRL as at the Latest Practicable Date.

1.2 Purpose of the Circular

The purpose of this Circular is to provide the Shareholders with relevant information relating to the Proposed Transactions and to seek Shareholders' approval for the Proposed Transactions at the forthcoming EGM.

2. DETAILS OF THE PROPOSED ACQUISITION

2.1 Purchase Consideration

The Purchase Consideration of S$110.0 million shall be settled by the Company to the Vendors in the following manner:

(i) the payment of an aggregate sum of S$20.0 million to the Vendors by way of cashier's order or in any other form to be agreed by the parties; and

(ii) the issue of an aggregate of 112.5 million Consideration Shares at the Issue Price to be issued by the Company to the Vendors in settlement of the balance S$90.0 million of the Purchase Consideration;

in accordance with the table as set out below on Completion:-

Name	Entitlement in Cash	Entitlement to Consideration Shares
Tan Sri Datuk Sir Tiong Hiew King	S$10.0 million	56,250,000
Tiong Kiu King	S$10.0 million	56,250,000
Total	S$20.0 million	112,500,000

The Purchase Consideration was arrived at arm's length on a willing buyer, willing seller basis, taking into account the following factors:-

(i) KRL's business potential in view of the Petroleum Contract;

(ii) the Technical Report which provided an estimate on the volumes of the hydrocarbon resources at the Fuyu 1 Block; and

(iii) the Economic Evaluation Report which provided a range of EMVs for the Contingent Resources in the Fuyu 1 Block, which represents the EMV (Expected Monetary Value) of the asset as of 31 December 2008.

The Technical Report and Economic Evaluation Report are both issued by GCA, further details of which are disclosed in Sections 2.11 and 2.12 of this Circular respectively. GCA was appointed by the Company for the purpose of conducting an independent technical review on the volumes and the EMV range of the Contingent Resources of the Fuyu 1 Block. GCA is an independent international energy technical advisor specialising in petroleum reservoir evaluation and economic analysis. The EMV of the Contingent Resources of the Fuyu 1 Block is dependent on the volumes of such hydrocarbon resources estimated by GCA in the Technical Report according to the methodology and assumptions stated therein.

The audited book value and NTA value attributable to holders of the 50,000 Sale Shares, i.e. the Vendors, is approximately S$6.15 million as at 31 December 2008, after taking into account the capitalisation of S$8.366 million loans owing by KRL to the Vendors. As the Sale Shares are not listed on any stock exchange, there is no open market value. The Purchase Consideration of S$110 million is a huge premium over the NTA value of KRL as at 31 December 2008 as the latter has not reflected the potential of the hydrocarbon resources in the Fuyu 1 Block. Please refer to Section 2.12 of this Circular for the EMV range evaluated by GCA in respect of the hydrocarbon resources for the Fuyu 1 Block and the assumptions described therein. In this connection, GCA has suggested in Section 3 of the Economic Evaluation Report that, for a transaction effective 31 December 2008, the EMV range of US$160 million to US$230 million at 12% discount rate could be considered reasonable.

2.2 Funding Requirement for the Project at the Fuyu 1 Block

On 12 November 2007, KRL entered into the Petroleum Contract with CNPC for the joint development and production of hydrocarbon resources in the Fuyu 1 Block with crude oil being its end product. Please refer to paragraph 3.2 of Appendix A of this Circular for the description of KRL's right to develop, produce and sell crude oil produced from the Fuyu 1 Block.

Exploration activities were conducted on the Fuyu 1 Block in 1984 with the discovery of oil. Notwithstanding the discovery of oil, the oilfield in the Fuyu 1 Block was not developed as it contains heavy crude oil, and due to the oil reservoir's low permeability and other factors discussed in Section 2.10 of this Circular.

Under the Petroleum Contract, KRL is granted the right to develop and produce crude oil from the Fuyu 1 Block, but is not allowed to conduct any exploration activities in the Fuyu 1 Block. The exploration permit in the Fuyu 1 Block is currently owned by Petrochina. The Petroleum Contract is to be implemented in 3 phases namely evaluation period, development period and production period. Please refer to paragraph 3.2 of Appendix A for further discussion of these 3 phases.

KRL is currently at its evaluation phase of the crude oil production project at the Fuyu 1 Block. Please refer to Paragraph 3.2, Appendix A of this Circular for more information on the evaluation period, development period and production period provided in the Petroleum Contract. KRL intends to identify and select efficient and effective methods to produce crude oil from the oilfields in the Contract Area before progressing to the development phase and then the production phase where commercial production of crude oil will take place.

Generally, KRL will be entitled to 30% of the crude oil from wells drilled by KRL prior to the commercial production of crude oil. Please refer to Paragraph 3.2, Appendix A of this Circular for more information regarding the application of proceeds from crude oil production under the Petroleum Contract. Although such entitlement will generate certain revenue for KRL prior to the commercial production of crude oil, such revenue will not be sufficient to cover the investment costs for capital expenditure and operating costs required by KRL for the evaluation phase and development phase. Hence, KRL is unlikely to generate any positive cash flow from its operations until after the commercial production of crude oil located at the Fuyu 1 Block. Please refer to the relevant risk factors in Section 11 of this Circular for further discussion.

After completion of the Proposed Acquisition, the Company will have to fund the costs and expenses required for the different phases of the crude oil production project at the Fuyu 1 Block. However, the Company does not expect the Purchase Consideration, plus all other outlay to be incurred by the Group in relation to the development and production of crude oil under the Petroleum Contract prior to KRL achieving profitability in relation to its operations at the Fuyu 1 Block, to exceed the aggregate sum of approximately S$136.4 million based on the information currently available and prevailing market conditions, barring unforeseen circumstances. The Company intends to obtain such funding from new equity issue, debt instruments and/or external bank borrowings, as appropriate.

In this regard, such "outlay" includes all sums payable by the Company to fund the operations of KRL or the crude oil production project at the Fuyu 1 Block, all loans and debt financing obtained from banks, financial institutions or any other person or company (including the Vendors) by the Company or KRL to fund the operations of KRL or the crude oil production project at the Fuyu 1 Block, after the Company's completion of its acquisition of KRL, together with any guarantee, or similar financial obligations incurred by the Company, KRL or any of the Company's subsidiaries to fund the operations of KRL or the crude oil production project at the Fuyu 1 Block, after the Company's completion of its acquisition of KRL.

In the event that KRL requires additional funds for the crude oil production project exceeding the aforesaid sum of S$136.4 million in aggregate by a significant amount, KRL intends to raise such additional funds through the issue of new shares, convertible securities or other forms of equity-linked instruments in KRL to any third party or the Vendors, as appropriate. In such event, the Company will comply with all applicable requirements under the Listing Manual, and all other laws and regulations in connection with the issue of new securities or instruments in KRL.

Taking into account the estimated: (a) net revenue of KRL according to its net entitlement under the Petroleum Contract, (b) capital expenditure, (c) operating expenditure in relation to the crude oil production project of the Fuyu 1 Block (see Appendix II of the Economic Evaluation Report for the Cashflow Model Outputs For ELT and Economic Analysis), the Company does not expect the Purchase Consideration, plus all other outlay to be incurred by the Group in relation to the development and production of crude oil under the Petroleum Contract prior to KRL achieving profitability in relation to its operations in the Fuyu 1 Block, to exceed the aggregate sum of approximately S$136.4 million based on the information currently available and prevailing market conditions, barring unforeseen circumstances.

After completion of the Proposed Acquisition, the Company will provide a quarterly status update through announcements via the SGXNET to cover:

(i) any material changes to the Contingent Resources or Reserves (including the reasons for such change); and

(ii) material development of activities undertaken by KRL at the evaluation phase, development phase and production phase of the crude oil production project at the Fuyu 1 Block, together with a summary of the material expenditure incurred on those activities for the quarter.

2.3 Completion

Completion shall take place on such date to be specified by the Company in a written notice given to the Vendors at least 14 Business Days prior to the specified completion date which shall be no later than two weeks after the conditions precedent set out in the SPA are either fulfilled to the satisfaction of the Company or waived by the Company at its discretion.

The Purchase Consideration shall be settled on Completion in the manner described in Section 2.1 of this Circular. Please refer to Section 5 of this Circular regarding the funding alternatives. Under the terms of the SPA, in the event that the Company is unable to procure the necessary funding to pay for the cash payment of S$20.0 million on the Completion Date due to whatsoever reason, the Company shall notify the Vendors at any time prior to the Completion Date to request for an extension of time for the said cash payment to such time when the Company has procured the necessary funding.

2.4 Conditions Precedent

The Completion of the sale and purchase of the Sale Shares is conditional upon the following conditions precedent, *inter alia*:

(i) the Company being satisfied in its sole and absolute discretion with the results of its due diligence investigations (whether legal, financial, contractual, tax or otherwise) carried out in respect of KRL (and the PRC Branch), including but not limited to the affairs, business, assets, liabilities, operations, records, financial position, financial performance, tax liabilities, accounts, results and prospects of KRL (and the PRC Branch), in its sole and absolute discretion within four (4) weeks from the date of the SPA;

(ii) the approval in-principle of the SGX-ST for the listing and quotation of Consideration Shares upon their issue and allotment and all conditions set out in such approval have been compiled with;

(iii) all consents, approvals and authorisations of bankers, financial institutions, landlords of leases, relevant third parties, government or regulatory authorities which are necessary or desirable in connection with the transfer of the Sale Shares from the Vendors to the Company and the ownership by the Company of Sale Shares having been obtained (including waivers of pre-emption rights by existing shareholders of the KRL), and if subject to conditions, on such conditions acceptable to the Company, prior to the Completion Date;

(iv) the approval of the shareholders of the Company in an EGM (where necessary) being obtained for the transactions contemplated in the SPA upon the terms and conditions set out in the SPA, including, *inter alia*, the purchase of the Sale Shares as a major acquisition and an Interested Person Transaction and the issue of Consideration Shares and such other matters as are necessary in compliance with the relevant provisions of the Listing Manual;

(v) no material contract, lease, licence or other similar commercial arrangement would be terminated or adversely affected as a result of a change in ownership of the Sale Shares;

(vi) all representations, warranties and undertakings of the Vendors and the Company under the SPA being complied with, and being true, accurate and correct in all respects as at the Completion Date, as if repeated at Completion and at all times between the date hereof and Completion;

(vii) each of the parties having performed all of the covenants and agreements required to be performed or caused to be performed by it under the SPA on or before the Completion Date;

(viii) the Vendors or the Company not having received notice of any injunction or other order, directive or notice restraining or prohibiting the consummation of the transactions contemplated by the SPA, and there being no action seeking to restrain or prohibit the consummation thereof, or seeking damages in connection therewith, which is pending or any such injunction, other order or action which is threatened;

(ix) the business of KRL having been carried on in a satisfactory and ordinary manner and KRL not having disposed of any material assets or assumed or incurred any material liabilities including contingent liabilities (whether recorded or unrecorded) other than those in connection with its ordinary course of business in the period between 30 June 2008 up to the Completion Date;

(x) there has been no change in the shareholding or capital structure of KRL occurring on or before the Completion Date, save for capitalisation of loan;

(xi) there being no material adverse change (as mutually determined by the parties) in the prospects, operations, assets, business, profits or financial condition of KRL occurring on or before the Completion Date;

(xii) the delivery by the Vendors to the Company, on the date of the SPA, of the Disclosure Letter (if any) on such terms as are satisfactory to the Company;

(xiii) the loans or amounts of S$8,366,121 owing by KRL to the Vendors as at 31 December 2008 shall be capitalised on the Completion Date; and

(xiv) the Loans owing by the Company to SPL as its controlling shareholder shall be capitalised on the Completion Date.

If any of the conditions precedent contained in the SPA (as amended and varied by the Supplemental Agreement) is not fulfilled or not waived by the Company, within 15 months from the date of the SPA, the SPA shall *ipso* facto cease and determine at the sole option of the Company, and none of the Parties shall have any claim against the others for costs, damages, compensation or otherwise except for antecedent breaches of the terms of the SPA.

2.5 Shareholders' Loan granted by the Vendors

On Completion Date, the loans or advances amounting to S$8,366,121 owing by KRL to the Vendors shall be capitalised into new ordinary shares in KRL, and the Company shall acquire the Sale Shares (which include any new shares of KRL issued pursuant to the said capitalisation) for the Purchase Consideration.

Pursuant to the terms of the SPA (as amended and varied by the Supplemental Agreement), the Vendors undertake to seek prior written consent from the Company in the event that they wish to extend further loans or advances to KRL for an aggregate sum exceeding S$1,000,000 more than the sum of S$8,366,121 which is required to be capitalised as aforesaid. In the event that any further loans or advances in addition to the loans to be capitalised are extended to KRL, such loans or advances shall be free of interest, and the Company agrees to procure KRL to repay these additional loans and advances at such time as the Company shall deem fit but not later than the period of one year after the Completion Date.

As at the Latest Practicable Date, the aggregate loans and amounts owing by KRL to the Vendors is S$8,366,121 which will be capitalised by the Vendors on Completion pursuant to the terms of the SPA (as amended and varied by the Supplemental Agreement).

2.6 The Issue Price of the Consideration Shares

The issue price of S$0.80 for each Consideration Share is determined after taking into account the following factors:

(a) The volume weighted average price of the Shares of S$1.00 traded on the SGX-ST on 23 April 2009, being the last market day preceding the date of the Supplemental Agreement during which trades were conducted. The Company effected a trading halt of its Shares from 9.00 a.m. on 24 April 2009.

(b) The issue price of S$0.80 in respect of the Consideration Shares represents a premium/(discount) of 101.96%, (3.39%), 43.46%, 50.65%, 44.67%, and (20.00%) over the volume-weighted average price of the Shares for the last 2 years, 1 year, 6 months, 3 months, 1 month and the last day on which the trading halt of the Shares was effected preceding the date of the Supplemental Agreement, respectively.

The NAV per Share of the Company as at 31 December 2008 is approximately negative S$0.0414. The difference between the issue price of S$0.80 for each Consideration Share and the NAV per Share as at 31 December 2008 is S$0.8414.

2.7 Relationship of the Vendors to Directors and Controlling Shareholders of the Company

The Vendors, Tan Sri Datuk Sir Tiong Hiew King and Tiong Kiu King are persons who are related to the Directors and Controlling Shareholders of the Company. Please refer to Section 2.9 of this Circular for more details of their relationship. Accordingly, the Proposed Acquisition is also an interested person transaction, as further disclosed in Section 4 of this Circular.

2.8 Service Agreement

No executive director is proposed to be appointed to the Company involving the entering of a service agreement with the Company in connection with the Proposed Acquisition.

2.9 Information on the Vendors

This section is based on information and representations provided by the Vendors.

(i) **Tan Sri Datuk Sir Tiong Hiew King** is a shareholder and director of KRL. He is the executive chairman and founder of Rimbunan Hijau Group, a large diversified conglomerate in Malaysia with extensive business around the world. He is also the executive chairman of the Company and Media Chinese International Limited, a company primarily listed on the main boards of both the Stock Exchange of Hong Kong Ltd and Bursa Securities Bhd.

Tan Sri Datuk Sir Tiong has extensive experience in a number of industries, including timber, plantations, media and publishing, oil and gas, mining, fishery, information technology, and manufacturing etc. He has established businesses in a number of countries in the world, including Malaysia, Singapore, Hong Kong, Mainland China, the United States, Canada, Russia, Australia, New Zealand, Papua New Guinea, Cambodia, Gabon, Equatorial Guinea, British Guyana and elsewhere.

(ii) **Tiong Kiu King** is a shareholder and director of KRL. He is also the executive chairman of One Media Group Limited, a company listed on the main board of the Stock Exchange of Hong Kong, and an executive director of Media Chinese International Limited, a company listed on the main boards of both the Stock Exchanges of Hong Kong Ltd and Bursa Securities Bhd.

Tiong Kiu King obtained a Diploma in Civil Engineering from Tak Ming College in Hong Kong in 1964. He has extensive business in many industries, including timbers, media and publishing, property development, plantation, as well as investment projects in Mainland China. He is a brother of Tan Sri Datuk Sir Tiong Hiew King.

The entire issued share capital of KRL is wholly owned by Tan Sri Datuk Sir Tiong Hiew King and Tiong Kiu King, both are brothers of Dato' Sri Dr. Tiong Ik King, an executive director of the Company. Tan Sri Datuk Sir Tiong Hiew King is also our executive chairman and together with Dato' Sri Dr. Tiong Ik King, they control the entire issued share capital of Surreyville Pte Ltd, which is the Controlling Shareholder of the Company.

Tan Sri Datuk Sir Tiong Hiew King and Dato' Sri Dr. Tiong Ik King own 55% and 45% respectively of the issued share capital of Woodsville International Limited, which is the holding company of Surreyville Pte Ltd.

2.10 Information on the Fuyu 1 Block

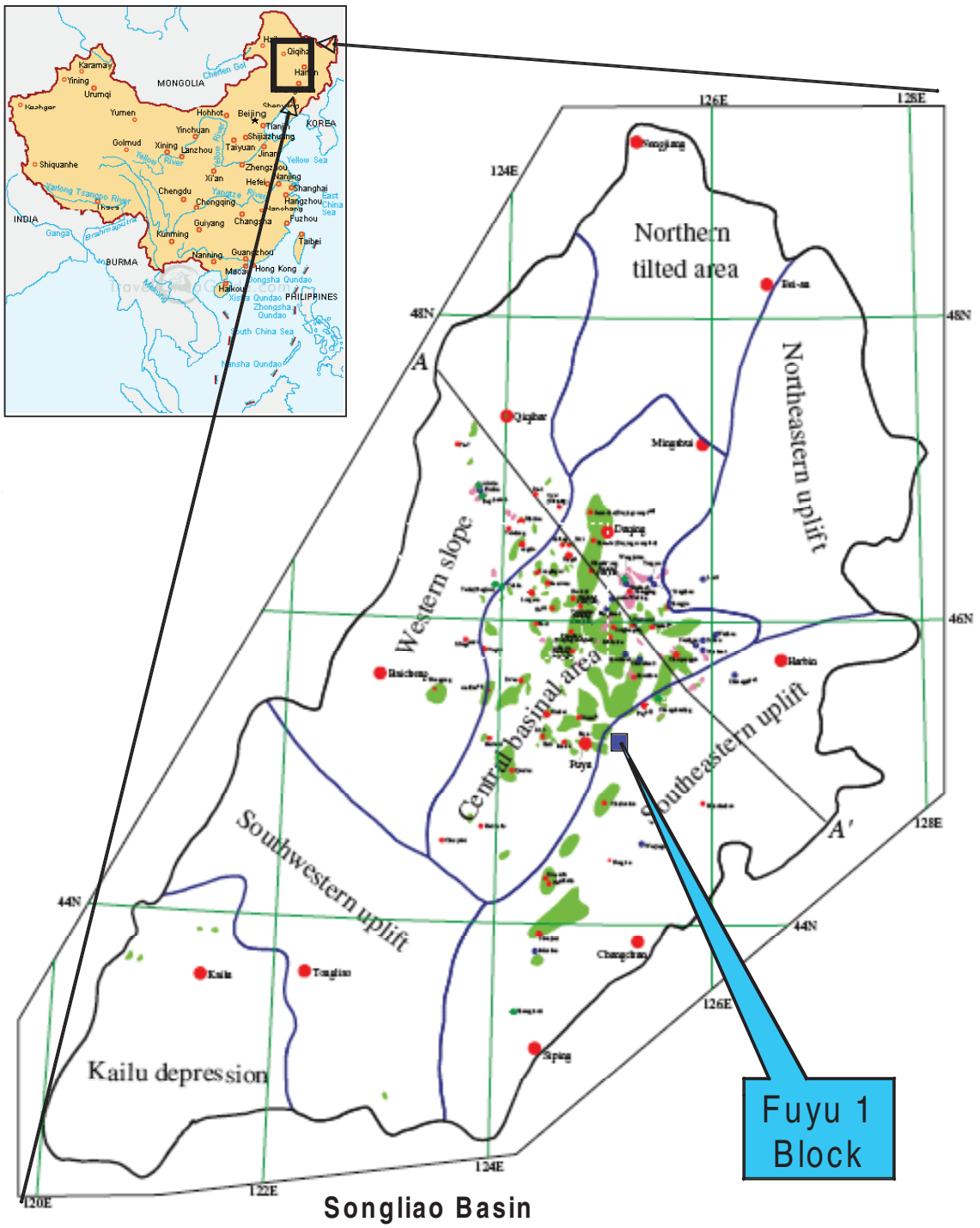
Pursuant to the Petroleum Contract, KRL is only entitled to develop and produce petroleum from oilfields located within the Fuyu 1 Block. The Fuyu 1 Block covers a total area of approximately 254.9 sq km which can be reached by land transport. The Fuyu 1 Block comprises discovered heavy oilfields which are currently undergoing appraisal for development of crude oil.

The Fuyu 1 Block is located south-east of the Fuyu oilfield in the Jilin province of northern PRC. The present topography of the area around the Fuyu 1 Block is dominated by a nearly featureless flatland and gentle undulating hills dissected by rivers and lakes. The elevation is between 140m to 160m above sea level. This area forms part of the Songliao basin, a large intracratonic rift basin which is one of the largest petroleum producing regions in the PRC, and in which major oilfields such as Daqing, Fuyu and XinMin are also situated. The Fuyu 1 Block is located south-east of the central basinal part of the Songliao basin, at the western edge of the southern uplift. The location of the Fuyu 1 Block is indicated in the location plan set out in page 19 of this Circular.

The Fuyu 1 Block was explored by CNPC in 1984. A few of the wells had oil shows, but the oil did not flow to the surface during conventional well test. A particular well, Fuyu 119 well, was further tested in August 1984 using the thermal recovery Huff 'n' Puff method. During the test, the initial production was 8.7 tonnes of oil per day which declined over 35 days, providing an average of 2.38 tonnes per day over the well test period. The crude oil produced was heavy oil.

After the discovery of oil, the Fuyu 1 Block was not developed due to the heavy oil reservoir's low permeability, multiple thin reservoir sand layers, low oil saturation and the oilfield being compartmentalised by shale barriers and faults. However, with advancements in technology, high oil prices, the relatively low cost of developing the shallow oil reservoir and the low cost of oil production in the PRC, the development and production of oil at the Fuyu 1 Block could potentially become more commercially viable, as compared to about 20 years ago.

KRL has recently drilled 31 appraisal wells in different parts of the Fuyu 1 Block including areas beyond the committed evaluation program. 29 of these wells have oil pay (which shows evidence of oil deposits) based on log results and 6 of the wells have tested oil with the Huff 'n' Puff method. 3 wells have been put on trial production over the last few months. 2 step-out appraisal wells targeted distinct fluvial objects, based on surface features, have proved to be dry. The results from these recent appraisal wells are encouraging and appear to support the results from the concept study performed by the China University of Petroleum, Beijing referred to in Section 2.1 of the Technical Report. Please refer to Section 2.11 of this Circular (The Technical Report) for the estimates of the volumes of the hydrocarbon resources in the Fuyu 1 Block as reported by GCA, and Section 2.12 of this Circular (The Economic Evaluation Report) for the range of EMV for the hydrocarbon resources in the Fuyu 1 Block as evaluated by GCA.



Source: USGS Bulletin 2203-A, 2003

2.11 The Technical Report

GCA's Technical Report has provided an estimate of the volumes of hydrocarbon resources in the Fuyu 1 Block based on the methodology and assumptions stated therein. The resulting Contingent Resources net entitlement attributable to KRL are 0.906 million tonnes for the 1C case, 5.144 million tonnes for 2C case and 3C of 14.435 million tonnes (see table below). In this regard, the 1C, 2C and 3C cases are derived from the Low, Best and High cases of the Contingent Resources and net entitlement of KRL thereof in the Fuyu 1 Block, which represents the range of uncertainty which are considered by GCA as associated with the crude oil production project in the Fuyu 1 Block.

Summary of Gross and Net Entitlement Contingent Resources as of 31 December 2008

	1C	2C	3C
Gross Contingent Resources (MMtonnes)	**1.859**	**10.509**	**29.599**
Net Entitlement Attributable to KRL (MMtonnes)	**0.906**	**5.144**	**14.435**

Notes:

(1) Contingent Resources have been estimated in accordance with the SPE Petroleum Resources Management System (PRMS) published in March 2007.

(2) Gross Contingent Resources are 100% of the Contingent Resources attributable to the licence.

(3) Contingent Resources are estimated on the basis of GCA's forecasts of production, costs and price profiles for the development and operation of the Fuyu 1 Block.

(4) Net Entitlement Contingent Resources reflect net economic entitlement attributable to KRL converted to equivalent tonnes, and reflect the costs associated with the development concept.

(5) Evaluation based on GCA's 1Q 2009 SPE Forecast Price Scenario.

GCA has reported that as of 31 December 2008, the Fuyu 1 Block has a gross STOIIP range from a low estimate of 11.42 million tonnes to a high estimate of 97.05 million tonnes. This range is based on contributions from Sand Groups II to IV:

The Fuyu 1 Block Oil Initially in-place (STOIIP) as of 31 December 2008 (100% Gross Licence Volumes)

	Low	Best	High
STOIIP (MMstb)	**75.63**	**272.19**	**642.50**
STOIIP (MMtonnes)	**11.42**	**41.12**	**97.05**

Note:

(1) Sand Group I referred to in Section 1.7 of the Technical Report is not included because the volumes are very small and the sands are located away from core development area.

GCA assumes a range of Recovery Factors (RF) from 16.7% to 30.5% for Huff 'n' Puff and steam flooding oil production methods. The hydrocarbon resources available in the Fuyu 1 Block are classified in the Technical Report as Contingent Resources. Until the technical process for oil production has been selected and established, and the Overall Development Plan is approved by the PRC governmental authorities, the hydrocarbon resources located in the oilfields can only be termed as Contingent Resources rather than reserves, in accordance with the latest guidelines issued by the SPE and other bodies in March 2007.

Some of the other key information contained in the Technical Report are as follows:

(a) The Technical Report of GCA has summarised the working interest and concession licence details of the Petroleum Contract as on 31 December 2008 in Table 1 of the Technical Report.

(b) The drilling schedule for the different phases of field development as of 31 December 2008 based on the 3 Contingent Resources cases, *i.e.* 1C, 2C and 3C, is found in Table 8 of the Technical Report.

(c) The gross production forecasts as of 31 December 2008 indicating the total volumes of crude oil to be produced for the 1C, 2C and 3C cases before GCA applies the Economic Limit Test to carry out the economic analysis referred to in Section 2.12 of this Circular, are found in Table 9 of the Technical Report.

(d) The gross field annual capital expenditure assumptions and forecasts are found in Table 11 and Table 12 of the Technical Report respectively.

(e) The gross field annual operating expenditure forecasts are found in Table 13 of the Technical Report.

Please refer to GCA's Technical Report provided in Appendix C of this Circular for further details. GCA's qualifications are set out in page 53 of the Technical Report.

2.12 The Economic Evaluation Report

GCA has based its economic analysis of the Contingent Resources assessed in its Technical Report in order to determine the EMV range of the Contingent Resources for each of 1C, 2C and 3C cases. GCA has calculated the unrisked NPVs taking into account the production and cost profiles associated with the aforesaid three Contingent Resources cases. GCA has conducted its evaluation of the range of EMVs for the hydrocarbon resources of the Fuyu 1 Block in accordance with the Petroleum Resources Management System (PRMS) guidelines published by the SPE in March 2007.

This Economic Evaluation Report is not intended to give an assessment of the fair market value of KRL, but is meant to provide a range of EMVs associated with the Fuyu 1 Block that will enable the Company and its shareholders to determine whether or not the consideration paid for KRL is reasonable.

The unrisked post-tax NPVs attributable to KRL's interests in the Fuyu 1 Block as of 31 December 2008 are summarised below:

Contingent Resources Category	**NPV at 10% discount rate**	**NPV at 12% discount rate**	**NPV at 15% discount rate**
1C	**- US$34.8 million**	**- US$35.8 million**	**- US$36.4 million**
2C	**US$319.2 million**	**US$261.8 million**	**US$196.5 million**
3C	**US$1,009.7 million**	**US$810.6 million**	**US$594.2 million**

The above NPVs represent unrisked future net revenue after taxes, attributable to the interests of KRL, discounted over the economic life of the project at a specified discount rate to a present value as of 31 December 2008. The unrisked NPVs represent the range of NPV prior to the application of the relevant risk factors outlined in Section 3 of the Economic Evaluation Report.

GCA has also conducted a sensitivity analysis on the unrisked post-tax NPVs by applying the following risk factors:

- Oil price: at a range of +/- US$10/bbl
- Capital Expenditure: at a range of +/- 20%
- Operating Expenditure: at a range of +/- 20%
- Discount rate of 10%, 12% and 15%
- Project development delay of 2 years

The figures showing the results of the sensitivity analysis on each of the 1C, 2C and 3C cases by applying the above factors (including oil price fluctuations) are found in Figures 1, 2 and 3 in Section 2.6 of the Economic Evaluation Report.

GCA has, based on the analysis and the methodology described in Section 3 of the Economic Evaluation Report, arrived at a range of EMVs for the Fuyu 1 Block associated with three different scenarios, as summarised below:

	EMV at 10% discount rate	**EMV at 12% discount rate**	**EMV at 15% discount rate**
Scenario 1	**US$287.3 million**	**US$229.3 million**	**US$165.4 million**
Scenario 2	**US$252.8 million**	**US$196.0 million**	**US$135.4 million**
Scenario 3	**US$202.6 million**	**US$158.2 million**	**US$109.6 million**

Notes:

Scenario 1:

- Contingent Resources as at 31 December 2008 per the Technical Report;
- Post tax Nominal discount rates of 10%, 12% and 15%;
- 70% economic chance of success; and
- Economic environment, being the assumption of the prevailing oil prices at the relevant time, as described in Section 3 of the Economic Evaluation Report.

Scenario 2:

- Contingent Resources as at 31 December 2008 per the Technical Report with field development delayed by 2 years;
- Post tax Nominal discount rates of 10%, 12% and 15%;
- 70% economic chance of success; and
- Economic environment, being the assumption of the prevailing oil prices at the relevant time, as described in Section 3 of the Economic Evaluation Report.

Scenario 3:

- Contingent Resources as at 31 December 2008 per Technical Report;
- Post tax Nominal discount rates of 10%, 12% and 15%;
- 70% economic chance of success; and
- Economic environment, being the assumption of the prevailing oil prices at the relevant time, as described in Section 3 of the Economic Evaluation Report, based on latest Brent Strip available at 26 February 2009.

GCA has suggested in Section 3 of the Economic Evaluation Report that, for a transaction effective 31 December 2008, the EMV range of US$160 million to US$230 million at 12% discount rate could be considered reasonable.

Please refer to the Economic Evaluation Report of GCA set out in Appendix D of this Circular for further details.

Shareholders must note that the range of EMV evaluated by GCA in respect of the hydrocarbon resources for the Fuyu 1 Block are based on certain assumptions described in Section 3 of the Economic Evaluation Report, including the assumption of certain oil prices being the prevailing oil prices at the relevant times, the volumes of the Contingent Resources available in the Fuyu 1 Block, the suitability of the technology selected by KRL for the production of crude oil, and there is no undue delay for the production of the crude oil project.

3. THE PROPOSED ACQUISITION AS A MAJOR TRANSACTION

Pursuant to the terms and conditions of the SPA (as amended and varied by the Supplemental Agreement), the Company will purchase and the Vendors will sell, the entire issued and paid-up share capital of KRL, for the Purchase Consideration of S$110.0 million.

Chapter 10 of the Listing Manual governs the continuing listing obligations of a listed company in respect of acquisitions and realisations. Under Rule 1013 of the Listing Manual, a transaction will be classified as a "major transaction" if any of the relative figures calculated on the bases set out in Rule 1006 exceeds twenty per cent (20%). Under Rule 1014 of the Listing Manual, Shareholders' approval must be obtained for a "major transaction". The relative figures calculated in accordance with the bases set out in Rule 1006 are set out below:

(a)	The net asset value of the assets to be disposed of, compared with the KRL's net asset value. This basis is not applicable to an acquisition of assets.	Not applicable.
(b)	The net profits attributable to the assets acquired or disposed of, compared with the group's net profits.	The comparison is not meaningful as KRL was incorporated on 18 October 2005 and has incurred a net loss of S$1,279,443 for its financial year ended 31 December 2008.
(c)	The aggregate value of the Purchase Consideration given, compared with the Company's market capitalisation[(1) (2)].	The consideration of S$110.0 million for the Proposed Acquisition represents approximately 40.17% of the Company's market capitalisation of approximately S$273,821,443 as at 23 April 2009 (being the last market date preceding the date of the Supplemental Agreement during which trades were conducted). Assuming the total outlay (as described in Section 2.2 of this Circular) to be incurred by the Group in relation to the development and production of crude oil under the Petroleum Contract prior to KRL achieving profitability in relation to its operations at the Fuyu 1 Block is approximately S$136.4 million, the consideration of S$110.0 million for the Proposed Acquisition plus the sum of S$136.4 million represent approximately 89.99% of the Company's aforesaid market capitalization as at 23 April 2009.

(d)	The Consideration Shares issued by the Company in satisfaction of the Purchase Consideration, compared with the number of equity securities previously in issue[(2)].	The 112,500,000 new ordinary shares proposed to be issued by the Company as part consideration to the Vendors for the Proposed Acquisition represents approximately 41.09% of the total issued share capital of the Company of 273,821,443 Shares as at the date hereof.

Notes:

(1) Based on the volume weighted average price of the Shares of S$1.00 traded on the SGX-ST on 23 April 2009, being the last market day preceding the date of the Supplemental Agreement during which trades were conducted. The Company effected a trading halt of its Shares from 9.00 a.m. on 24 April 2009.

(2) Based on 273,821,443 Shares preceding the date of the SPA.

On the bases of (c) and (d) above, the Proposed Acquisition is a "major transaction" as defined in Rule 1013 of the Listing Manual. Accordingly, the Proposed Acquisition is subject to approval of Shareholders being obtained.

4. PROPOSED ACQUISITION AS AN INTERESTED PERSON TRANSACTION

The Vendors are Tan Sri Datuk Sir Tiong Hiew King and Tiong Kiu King, who are considered Interested Persons within the definition of the Listing Manual. Please refer to Section 2.9 of this Circular for more details of their relationship. Accordingly, the Proposed Acquisition is an Interested Person Transaction as defined in Chapter 9 of the Listing Manual.

Under Chapter 9 of the Listing Manual, where a listed issuer proposes to enter into a transaction with an Interested Person, an immediate announcement and the approval of the listed issuer's shareholders are required in respect of the transaction if such transaction is equal to or exceeds 5% of the latest audited NTA of the listed group.

Based on the latest audited consolidated financial statements for the Group for FY2008, the audited consolidated net tangible liability (the "NTL") of the Group as at 31 December 2008 was S$11.34 million. The Purchase Consideration of S$110.0 million has exceeded 5% of the latest audited consolidated NTA of the Group as at 31 December 2008. Accordingly, the Proposed Acquisition would be considered an Interested Person Transaction that requires the approval of Shareholders under Rule 906 of the Listing Manual.

PrimePartners Corporate Finance Pte. Ltd. has been appointed as the independent financial adviser to advise the independent Directors in respect of whether the financial terms of the Proposed Acquisition are on normal commercial terms and are not prejudicial to the interests of the Company and its independent Shareholders. The IFA's letter to the independent Directors is set out in Appendix B of this Circular.

5. FUNDING OF THE PURCHASE CONSIDERATION

S$90.0 million of the Purchase Consideration for the Proposed Acquisition will be satisfied through the issue of the Consideration Shares at S$0.80 each. In respect of the payment of the remaining cash consideration of S$20.0 million, the Company will evaluate and consider various financing alternatives, including but not limited to, new equity issue, debt instruments and/or external bank borrowings.

If the Company intends to issue new Shares through placement at any time before Completion, the Company will update the Shareholders accordingly through announcements.

6. RATIONALE FOR THE PROPOSED ACQUISITION

The Directors are of the view that the Proposed Acquisition is in the interests of the Company and Shareholders for the following reasons:-

As previously announced, the Company has been facing a difficult operating environment due to the competitive economic climate in the electronics industry. Nonetheless, the Group aims to reduce losses in its existing electronics business following the closure and consolidation of manufacturing plants in the PRC and by tightening cost controls, and to improve its financial situation so as to enable the removal of the Company from the Watch-List of the SGX-ST, on which the Company was placed on 5 March 2008. The Company has been exploring suitable investment opportunities with growth potential that can add value to the Company and bring benefits to the Shareholders.

The Company intends to diversify from its electronics business into the buoyant oil and gas sector through the Proposed Acquisition. The new business from the Proposed Acquisition will create a new revenue stream for the Company and is anticipated to improve the financial condition of the Company. The Company is of the view that the Proposed Acquisition offers an attractive investment platform for the Company to venture into the buoyant oil and gas sector. The Proposed Acquisition to be made by the Company will be its first step in making its foray into the oil and gas industry. The Company intends to explore other suitable opportunities in the oil and gas sector, such as undertaking other oil and gas resources projects should the opportunity arises in the future.

7. PROPOSED DEBT CONVERSION AND ALLOTMENT AND ISSUE OF DEBT CONVERSION SHARES

7.1 Background

In an announcement dated 18 August 2008, the Company announced, *inter alia*, that it had entered into the conditional Debt Conversion Deed with SPL for the Proposed Debt Conversion whereby 7.45 million new Shares at the issue price of S$1.00 each will be issued and allotted to SPL to repay the Loans of an aggregate amount of S$7.45 million. As announced on 29 April 2009, the Company and SPL entered into a Supplemental Deed dated 29 April 2009 to amend and vary the terms of the Debt Conversion Deed, inter alia, as follows:

(a) Amend the amount of the Loans from S$7.45 million to S$12.0 million;

(b) Amend the issue price of the Debt Conversion Shares to be issued from S$1.00 to S$0.80; and

(c) Amend the number of Debt Conversion Shares from 7.45 million Debt Conversion Shares to 15.0 million Debt Conversion Shares.

The increase of the amount of the Loans from S$7.45 million to S$12.0 million was due to the need for SPL to continue to provide financial support to fund the operations of the Group through the provision of shareholders' loan, while the Company seeks shareholders approval for the Proposed Acquisition. As at 24 April 2009, the total amount owing by the Company to SPL was approximately S$12.2 million.

The Board proposes to allot and issue 15.0 million Debt Conversion Shares in the capital of the Company to repay the Loans for the sum of S$12.0 million owing by the Company to SPL as at the date of the Supplemental Deed. The remaining amounts owing by the Company to SPL as at the date of the Supplemental Deed and the new amounts owing to SPL subsequent to the date of the Supplemental Deed will be settled either in cash or via capitalisation of such amounts owing, to be mutually agreed between the parties.

The allotment and issue of the Debt Conversion Shares is subject to approval in-principle being granted by the SGX-ST for the listing and quotation of the same on the SGX-ST.

7.2 Purpose of the Loans

Due to the financial condition of the Company, loans and advances have been extended by SPL to the Company from time to time to fund the working capital requirements of the Company. The Company has incurred losses for the last three years up to 31 December 2008 with accumulated losses of S$32.84 million as at 31 December 2008. As such, these loans and advances were required to fund working capital requirements during the aforesaid period to, *inter alia*:

(i) partially finance the purchase of fixed assets, including plant, machinery and equipment;

(ii) finance inventory (averaging 3.5 months) due to customers' turnkey requirements;

(iii) finance accounts receivables (averaging 3 months); and

(iv) repayment of bank borrowings.

The Company had, on 1 September 2006, entered into a supplemental deed with SPL whereby SPL agreed that further loans and advances granted to the Company shall be interest-free with effect from the date of the supplemental deed.

As at 24 April 2009, the total amount owing by the Company to SPL was approximately S$12.2 million. As at the Latest Practicable Date, the amount owing by the Company to SPL was approximately S$13.6 million, of which S$12.0 million will be settled through the issue of 15.0 million Debt Conversion Shares.

7.3 Debt Conversion Deed

The Company and SPL entered into a Debt Conversion Deed (as amended and varied by the Supplemental Deed) whereby SPL has agreed to convert a total of S$12.0 million of Loans owed to it by the Company into 15.0 million Debt Conversion Shares at the issue price of S$0.80 per Debt Conversion Share, as repayment of the Loans. The capitalisation of S$12.0 million Loans is one of the conditions precedent to the completion of the Proposed Acquisition pursuant to the SPA, as supplemented by the Supplemental Deed.

7.4 The Debt Conversion Shares

The 15.0 million Debt Conversion Shares will represent approximately 3.74% of the enlarged issued and paid-up share capital of the Company upon completion. The issue price of S$0.80 for each Debt Conversion Share to be allotted and issued to SPL is the same issue price for the Consideration Shares. Please refer to Section 2.6 of this Circular for the basis of determining such issue price.

The Debt Conversion Shares will be credited as fully paid-up and when allotted and issued will rank, *pari passu*, in all respects with the then existing ordinary Shares in the capital of the Company, save for any dividends, rights, allotments or other distributions declared or recommended in respect of the then existing issued Shares.

7.5 Shareholders' Approval

The allotment and issue of the Debt Conversion Shares require the approval of Shareholders under Section 161 of the Companies Act and Rules 805(1) and 812(1) and (2) of the Listing Manual. Rules 812(1) and (2) of the Listing Manual provide that an issue of shares must not be placed to the Company's Directors and Substantial Shareholders unless specific Shareholders' approval is obtained for such placement and the Directors and Substantial Shareholders abstain from voting on the resolution approving the placement.

The amount of the Proposed Debt Conversion of S$12.0 million of Loans has exceeded 5% of the Company's latest audited NTA as at 31 December 2008. As the Proposed Debt Conversion constitutes an Interested Person Transaction under Chapter 9 of the Listing Manual and exceeds 5% of the Company's latest audited NTA, it is subject to the approval of independent Shareholders in accordance with Rule 906 of the Listing Manual.

In addition, the 15.0 million Debt Conversion Shares will be allotted and issued to SPL (being a controlling shareholder of the Company), approval of the Shareholders is required to be obtained in connection thereto.

7.6 Conditions Precedent

Completion of the Proposed Debt Conversion is conditional upon, *inter alia*, the fulfilment of the following conditions precedent:

(i) approval-in-principle for the listing and quotation of the Debt Conversion Shares on the SGX-ST and, where such approval is subject to conditions, such conditions being acceptable to the Company and, to the extent that any conditions for the listing and quotation of the 15.0 million Debt Conversion Shares on the SGX-ST are required to be fulfilled on or before the completion date for the Proposed Debt Conversion, they are so fulfilled;

(ii) the approval of the Directors and Shareholders of the Company being obtained in respect of the Proposed Debt Conversion, including but not limited to the issue and allotment of the 15.0 million Debt Conversion Shares, and the same not having been withdrawn or revoked and if such consents or approvals are obtained subject to any conditions, such conditions being acceptable to SPL and the Company; and

(iii) the subscription, issue and allotment of the 15.0 million Debt Conversion Shares being in compliance with the Securities and Futures Act (Cap 289) in connection with offers of securities and not being prohibited by any statute, order, rule or regulation promulgated by any legislative, executive or regulatory body or authority of Singapore.

7.7 Rationale for the Proposed Debt Conversion

Notwithstanding that the Company is able to meet its short term obligations as and when they fall due, the Company needs to increase its capital base and improve its net asset value. The Proposed Debt Conversion upon completion will enable the Group to improve the net tangible asset value, reduce the loss per share and reduce its gearing. The Proposed Debt Conversion will also significantly reduce the indebtedness to SPL without adversely affecting the cash flow of the Company. For the reasons stated above, the Proposed Debt Conversion is critical to restoring the Company to a financial position that will enable it to continue as an on-going concern.

7.8 Issue of Debt Conversion Shares to SPL as a Substantial Shareholder and corporation owned by Directors

Rule 812(1) of the Listing Manual provides that an issue must not be placed to, *inter alia*, the issuer's directors and substantial shareholders, the immediate family members of the directors and substantial shareholders, and corporations in whose shares the issuer's directors and substantial shareholders have an aggregate interest of at least 10%. SPL is a substantial shareholder of the Company and whose shares are beneficially owned by certain Directors. It is a person within the restrictions of Rule 812(1). Please refer to Section 2.9 of this Circular for more details on SPL. Accordingly, Shareholders' approval is sought for the allotment and issue of the Debt Conversion Shares at the Issue Price to SPL.

8. FINANCIAL EFFECTS

The financial effects of the Proposed Transactions on the Company set out below are purely for illustrative purposes only and do not reflect the future financial position of the Company or the Group after Completion.

8.1 Share Capital

The effects of the Proposed Acquisition and the Proposed Debt Conversion on the issued and paid-up share capital of the Company as at the Latest Practicable Date are set out below:

	As at the Latest Practicable Date	
	No. of Shares	**S$**
Issued and paid-up share capital	273,821,443	23,065,715.44[(1)]
Issue of 112,500,000 Consideration Shares pursuant to the Proposed Acquisition	112,500,000	90,000,000.00
Issue of the Debt Conversion Shares	15,000,000	12,000,000.00
Enlarged issued and paid-up share capital immediately after the Proposed Acquisition and Proposed Debt Conversion	401,321,443	125,065,715.44[(2)]

Notes:

(1) This figure does not take into account the placement expenses of S$121,000 for the placement completed in March 2008.

(2) This figure does not take into account the placement expenses of S$121,000 for the placement completed in March 2008, the estimated expenses of S$50,000 for the issue of shares under the Proposed Acquisition and the estimated expenses of S$10,000 for the issue of shares under the Proposed Debt Conversion.

8.2 NAV per Share

For illustrative purposes only, the effect of the Proposed Transactions on the NAV per Share of the Group for FY2008, assuming that the Proposed Transactions had been effected at the end of the financial year are as follows:

	NAV per Share (cents) for FY2008
Before adjusting for Proposed Acquisition[(1)]	(4.14)
After adjusting for Proposed Acquisition[(2)]	20.35
After adjusting for Proposed Acquisition and Proposed Debt Conversion[(3)]	22.58

Notes:

(1) Computed based on the issued share capital of 273,821,443 ordinary shares as at 31 December 2008, after taking into account the issue of 40,000,000 new ordinary shares in March 2008.

(2) Computed based on the issued share capital of 386,321,443 ordinary shares, after taking into account the 112,500,000 Consideration Shares issued to the Vendors.

(3) Computed based on the issued share capital of 401,321,443 ordinary shares, after taking into account the 112,500,000 Consideration Shares issued to the Vendors and the 15,000,000 Debt Conversion Shares issued to SPL.

The net tangible asset value (NTA) of the Group after the Proposed Acquisition can only be ascertained after performing additional procedures, including purchase price allocation and determining the financing method for the cash portion of the Purchase Consideration.

8.3 Loss per Share

For illustrative purposes only, the effect of the Proposed Transactions on the LPS of the Group for FY2008, assuming that the Proposed Transactions had been effected at the beginning of the financial year are as follows:

	Basic and diluted LPS (cents) for FY2008
Before adjusting for Proposed Acquisition[1]	7.69
After adjusting for Proposed Acquisition[2]	5.39
After adjusting for Proposed Acquisition and Proposed Debt Conversion[3]	5.19

Notes:

(1) Computed based on the weighted average number of ordinary shares of 264,531,826 as at 31 December 2008, after taking into account the issue of 40,000,000 new ordinary shares in March 2008.

(2) Computed based on the weighted average number of ordinary shares of 377,031,826 as at 31 December 2008, after taking into account the issue of 40,000,000 new ordinary shares in March 2008 and the issue of 112,500,000 Consideration Shares issued to the Vendors.

(3) Computed based on the weighted average number of ordinary shares of 392,031,826, after taking into account the issue of 40,000,000 new ordinary shares in March 2008, the 112,500,000 Consideration Shares issued to the Vendors and the 15,000,000 Debt Conversion Shares issued to SPL.

8.4 Gearing

For illustrative purposes only, the effect of the Proposed Transactions on the gearing ratio of the Group for FY2008, assuming that the Proposed Transactions had been effected at the end of the financial year are as follows:

	Before the Proposed Transactions	After the Proposed Acquisition	After the Proposed Acquisition and Proposed Debt Conversion
	FY2008	FY2008	FY2008
Total Bank Borrowings (S$'000)	6,671	6,671	6,671
Total Equity (S$'000)	(11,340)[1], [4]	78,610[2], [4]	90,600[3], [4]
Gearing (times)	N.M.	0.08	0.07

Notes:

(1) This figure takes into account the placement expenses of S$121,000 for the placement completed in March 2008.

(2) This figure takes into account the placement expenses of S$121,000 for the placement completed in March 2008 and the estimated expenses of S$50,000 for the issue of shares under the Proposed Acquisition.

(3) This figure takes into account the placement expenses of S$121,000 for the placement completed in March 2008, the estimated expenses of S$50,000 for the issue of shares under the Proposed Acquisition and the estimated expenses of S$10,000 for the issue of shares under the Proposed Debt Conversion.

(4) This figure takes into account of the 40,000,000 placement shares issued in March 2008.

9. CHANGES IN SHAREHOLDINGS IN THE COMPANY

Based on the shareholdings of the Company as at the Latest Practicable Date, the effect of the Proposed Acquisition and the Proposed Debt Conversion on the shareholdings of the Substantial Shareholders and the Vendors are as follows:

	Before the Proposed Acquisition and Proposed Debt Conversion				After the Proposed Acquisition				After the Proposed Acquisition and Proposed Debt Conversion			
	Direct Interest		Deemed Interest		Direct Interest		Deemed Interest		Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Substantial Shareholders												
Surreyville Pte Ltd[1]	187,889,486	68.62	–	–	187,889,486	48.64	–	–	202,889,486	50.56	–	–
Woodsville International Limited[1]	–	–	187,889,486	68.62	–	–	187,889,486	48.64	–	–	202,889,486	50.56
The Vendors												
Tan Sri Datuk Sir Tiong Hiew King[1], [2]	–	–	187,889,486	68.62	–	–	300,389,486	77.76	–	–	315,389,486	78.59
Tiong Kiu King [2]	–	–	–	–	–	–	112,500,000	29.12	–	–	112,500,000	28.03
Sharptone Investments Limited [2]	–	–	–	–	112,500,000	29.12	–	–	112,500,000	28.03	–	–
Other Shareholders	85,931,957	31.38	–	–	85,931,957	22.24	–	–	85,931,957	21.41	–	–
Total	**273,821,443**	**100.0**			**386,321,443**	**100.0**			**401,321,443**	**100.0**		

Notes:

(1) Dato' Sri Dr. Tiong Ik King and Tan Sri Datuk Sir Tiong Hiew King are deemed to be interested in the Shares held by Surreyville Pte Ltd due to their respective shareholding in Woodsville International Limited, which is the holding company of Surreyville Pte Ltd.

(2) Sharptone Investments Limited is the investment holding company nominated by the Vendors to receive the entire 112,500,000 Consideration Shares. Its entire issued share capital is held by Tiong Kiu King and Tan Sri Datuk Sir Tiong Hiew King in equal proportion. Tiong Kiu King and Tan Sri Datuk Sir Tiong Hiew King are both deemed to be interested in the Shares held by Sharptone Investments Limited.

10. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

10.1 Interests in the Company

The interests of the Directors and Substantial Shareholders in the capital of the Company as at the Latest Practicable Date are as follows:-

	Direct Interest		Deemed Interest	
	No. of Shares	%[3]	No. of Shares	%[3]
Directors				
Tan Sri Datuk Sir Tiong Hiew King[1]	–	–	187,889,486	68.62
Dato' Sri Dr Tiong Ik King[1]	–	–	187,889,486	68.62
Foo Sac Phoon[2]	50,000	0.018	20,000	0.007
Abbasbhoy Haider Nakhoda	–	–	–	–
Lee Hock Lye	–	–	–	–
Yeo Yun Seng Bernard	–	–	–	–
Substantial Shareholder				
Surreyville Pte Ltd	187,889,486	68.62	–	–
Woodsville International Limited[1]	–	–	187,889,486	68.62

Notes:

(1) Dato' Sri Dr. Tiong Ik King and Tan Sri Datuk Sir Tiong Hiew King's deemed interest arises from their shareholding in Woodsville International Limited, the holding company of Surreyville Pte Ltd.

(2) Foo Sac Phoon is deemed to interested in the 20,000 ordinary shares held by his spouse, Tan Lay Yen.

(3) Computed based on the total issued share capital of 273,821,443 Shares preceding the date of the SPA.

10.2 Save as disclosed in this Circular, none of the Directors or Controlling Shareholders has any interest, direct or indirect, in the Proposed Transactions.

11. RISK FACTORS RELATING TO THE PROPOSED ACQUISITION

Prospective investors should carefully consider and evaluate each of the following considerations and all other information contained in this circular before deciding to invest in the Shares. To the best of the Directors' knowledge and belief, all risk factors which are material to investors in making an informed judgement of the Company have been set out below. If any of the following considerations, uncertainties or material risks develops into actual events, the business, financial condition of the Company and / or results of operations could be materially and adversely affected. In such cases, the price of the Shares could decline due to any of these considerations, uncertainties or material risks, and investors may lose all or part of their investment in the Shares.

KRL may not be able to generate positive cash flow from its operations until after commercial production of crude oil from the Fuyu 1 Block

KRL is currently at the evaluation phase of the crude oil production project of the Fuyu 1 Block and will be incurring substantial capital expenditure and operating costs before it reaches the commercial production stage. Any revenue generated from the sale of crude oil produced from wells drilled by KRL prior to commercial production will not be sufficient to cover the investment costs for capital expenditure and operating costs required by KRL for the evaluation phase and development phase of the crude oil production project at the Fuyu 1 Block. Hence, KRL is unlikely to generate any positive cash flow from its operations until after the commercial production of

crude oil from the Fuyu 1 Block. Such cash flow deficit will have an adverse impact on the working capital of the Company and the financial position of the Group, such as an increase in its current liabilities. If borrowings are obtained to fund such cash flow deficit, such borrowings will cause an increase in the gearing ratio, a decrease in both the earnings per share and NTA of the Group, all of which will have a negative impact on the financial position of the Group.

KRL will need to obtain further financing for its existing business and future growth

As discussed in Section 2.2 of this Circular, the Company will have to fund the investment costs for capital expenditure and operating costs required for the crude oil production project at the Fuyu 1 Block after completing the Proposed Acquisition, and will consider obtaining such funding from new equity issue, debt instruments and/or external bank borrowings, as appropriate. In addition, KRL may also need to obtain additional equity or debt financing for other business opportunities that it deems favourable to its future growth and prospects. Funding through the new issue of equity will lead to a dilution in the interests of the Shareholders. An increase in debt financing may restrict its ability to pay dividends. In addition, there is no assurance that KRL and the Company will be able to obtain additional financing on terms that are favourable and acceptable.

KRL has a limited operating history

KRL was incorporated in October 2005 and has a limited history upon which to assess its future expected performance. Although KRL's management and technical staff possess the relevant experience and expertise in crude oil development and production, we cannot assure you that the growth and future performance of KRL will be successful. The failure of KRL to perform as an operator could have a material adverse impact on the development of and future production from KRL's contract areas, which in turn could have a material adverse effect on the financial condition and results of operations of KRL and the Group.

KRL's business, revenues and profits are affected by the volatility of prices for crude oil and the global economy

KRL's business and financial condition and results will be dependent upon the prices of, and demand for, crude oil, and also the global economy. Declines in crude oil prices and any economic downturn may adversely affect KRL's business, revenues and profits. KRL's profitability is, and will be determined in large part by, the difference between the prices received for crude oil that KRL produces and the costs of developing, producing and selling the crude oil produced.

Historically, international prices for crude oil have fluctuated widely in response to changes in many factors. KRL does not and will not have control over the factors affecting international prices for crude oil. These factors include:

(i) global and regional economic and political developments in crude oil producing regions, particularly in the Middle East;

(ii) the ability of the Organisation of Petroleum Exporting Countries and other crude oil producing nations to set and maintain crude oil production levels and prices;

(iii) other actions taken by major crude oil producing or consuming countries;

(iv) global and regional supply and demand for crude oil;

(v) competition from other energy sources;

(vi) domestic and foreign government regulations; and

(vii) global economic conditions.

Although international crude oil prices have risen significantly in the first three quarters of 2008, these have subsequently dropped significantly in the last quarter of 2008 and first quarter of 2009. KRL expects continued volatility and uncertainty in international prices for crude oil in the future.

KRL is exposed to technical and commercial uncertainties

Pursuant to the Petroleum Contract, KRL has commenced the evaluation phase relating to the joint development and production of petroleum of the Fuyu 1 Block. Since KRL is now in the evaluation phase, the available technical data is relatively more limited than those in the production phase. Until the technical process to produce the oil from the field is properly established and the Overall Development Plan ("ODP") is approved by CNPC, the reported hydrocarbon volumes can only be termed as Contingent Resources under the Petroleum Resources Management System (PRMS) published by the SPE in March 2007. In addition, the volumes are an estimate based on professional engineering judgment and are subject to future revision, upward or downward, as a result of future operations, economic conditions or as additional information become available.

Any determination of the hydrocarbon volumes and the range of EMV of the Fuyu 1 Block may be subject to various significant factors, assumptions and professional opinions. This will change as new information becomes available and perceptions of market conditions change. Should there be changes to any significant factors, assumptions and professional opinions, it could have a material adverse effect on the valuation, financial conditions and results of operations of KRL and the Group.

KRL is exposed to evaluation, development and production risks

The results of evaluation, development and production are uncertain and, therefore wells may not produce sufficient crude oil and/or revenues to return a positive cash flow after drilling, development, operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion or operating costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and adverse field operating conditions may affect KRL's production from successful wells. These conditions may include delays in obtaining governmental approvals or consents, shut-ins of connected wells resulting from extreme weather conditions, insufficient storage or transportation capacity or other geological and mechanical conditions. Production delays and declines from normal field operating conditions may occur and can be expected to adversely affect revenue and cash flow levels to varying degrees.

KRL's oil development and planned production operations involve risks normally incident to such activities, including blowouts, oil spills and fires (each of which could result in damage to, or destruction of, wells, production facilities or other property, or injury to persons), geological uncertainties and unusual or unexpected rock formations and abnormal pressures, which may result in dry holes, failure to produce oil in commercial quantities or an inability to fully produce discovered reserves. Estimates of oil resources and/or reserves in the subsurface are made by inferring subsurface conditions from limited surface data such as seismic data, and wells that penetrate only a small fraction of potential and actual reservoirs. Such inferences are, by their nature, uncertain and while such uncertainties can be reduced by additional seismic data or the drilling of further wells, they cannot be eliminated.

The Company may dilute its 100% equity interest in KRL to raise additional funding

As disclosed in Section 2.2 of this Circular, in the event that KRL requires additional funding for the crude oil production project exceeding the aggregate sum of S$136.4 million, it intends to raise such funds through the issue of new shares, convertible securities or other forms of equity-linked instruments in KRL, as appropriate. Should any such events were to occur, the Company's equity interest in KRL will be diluted to the extent as is necessary to meet the additional funding requirements of KRL.

KRL is dependent on external suppliers and service contractors

KRL requires the services or raw materials provided by external companies. This includes well construction and drilling services, oil pumps, pressurised gas and water, etc. KRL does not have any long-term contract with any of its suppliers and service contractors. There is no assurance that it will be able to continue to place orders with its suppliers and service contractors. In the event that these suppliers and/or service contractors are unable to supply KRL with proper services nor sufficient raw materials, and KRL is not able to seek alternative sources of supplies or services in a timely manner, or it is subject to higher prices from alternative suppliers and/or service contractors, the production schedule, business operation, profitability and financial performance may be adversely affected.

KRL is exposed to risks brought about by asset concentration

The Contingent Resources which KRL is entitled to develop and produce petroleum under the Petroleum Contract are concentrated in the Fuyu 1 Block. This asset concentration increases KRL's exposure to an event that could adversely affect the development or production of oil in a limited geographic area, including, *inter alia*, catastrophic damage to pipelines or events that could result in the loss of KRL's crude oil resources. Any adverse event with respect to the Fuyu 1 Block will have a material adverse effect on the financial condition, results of operations or prospects of KRL and the Group.

KRL operates in a competitive environment

The crude oil industry is competitive and characterised by technological changes and advancements. KRL's competitors for the acquisition, production and development of oil properties in the PRC and for capital to finance such activities, include companies that have greater financial resources available to them, longer operating histories, advanced technologies and larger teams of technical and professional staff. KRL's ability to successfully bid on and enter into new contacts or otherwise acquire additional property rights, to discover reserves, to participate in drilling opportunities and to identify and enter into commercial arrangements with customers will be dependent upon a continuation of KRL's relationships with its partners and its ability to select and evaluate suitable properties. In the event KRL is unable to identify suitable properties successfully or continue satisfactory relationships with its partners and compete effectively in the crude oil industry, the financial condition, results of operations or prospects of KRL and the Group will be adversely affected.

KRL is reliant on its ability to retain and recruit skilled personnel and professional staff

The business of KRL requires skilled personnel and professional staff in the areas of development and production of crude oil, operations, engineering, crude oil marketing, finance and accounting. KRL requires skilled personnel and professional staff as it is carrying, or will carry, operatorship roles in its projects. Competition for such skilled personnel and professional staff is intense and comes primarily from similar businesses active in the industry, many of which possess greater resources. Limitations on KRL's ability to hire and train the required number of skilled personnel and professional staff would reduce its capacity to undertake further projects and may have an adverse impact on the operations, results and growth of KRL and the Group.

KRL's business may be affected by unexpected business interruptions

KRL's business operations are vulnerable to interruptions caused by fire, typhoon, natural calamities such as earthquakes, as well as stoppage in the supply of utilities, power failures and other events beyond control. As a result of such disruptions, the production may be interrupted, thereby causing a decline in its production output, revenue and profitability.

KRL is subject to governmental regulations and relevant approvals

The operations of KRL, like those of other PRC crude oil companies, are subject to extensive regulation by the PRC government. Central governmental authorities, such as the State Development Planning Commission, the Ministry of Finance, the Ministry of Land and Resources and the State Bureau of Taxation and the local price bureaus, exercise extensive control over various aspects of the PRC's crude oil industry. These controls affect material aspects of KRL's operations, such as exploration and production licensing, industry-specific taxes and fees, capital investments, import and export quotas and procedures and environmental and safety standards. As a result, KRL may face significant constraints on its ability to implement its business strategies, to develop or expand its business operations or to maximise its profitability. KRL's business may also be adversely affected by future changes in certain policies of the PRC government in respect of the crude oil industry. In addition, during the period stated in the Petroleum Contract, KRL may be required to apply for various approvals from relevant government authorities. There is no certainty that KRL will successfully obtain all necessary approvals. If KRL cannot obtain these approvals according to the development plan, it may have an adverse impact on the operations, results and growth of KRL and the Group.

KRL is dependent on the decisions of its partner, CNPC

According to the Petroleum Contract, the operations of KRL as the operator of the Petroleum Contract shall be subject to the supervision of a joint management committee to be established and comprising members nominated by KRL and CNPC. The joint management committee is empowered to review (including adopting) and submit to CNPC for approvals relating to, *inter alia,* work programs and budgets, the Overall Development Plan and other appraisals on the geology, reservoir, engineering, economics and impact on the oilfield, etc. Any delay in work progress on the part either of the joint management committee or CNPC may cause delay in work progress of KRL during the evaluation period, development period and production period.

KRL is subject to the risks relating to the PRC

KRL is currently operating its business in the PRC. KRL is therefore dependent on the political, economic, regulatory and social conditions in the PRC. Any changes in the policies implemented by the government of the PRC which will result in currency and interest rate fluctuations, capital restrictions, and changes in taxes and duties detrimental to KRL's business may materially affect its operations, financial performance and future growth. Unfavourable changes in the social, economic and political conditions of the PRC or in the PRC government policies in the future may have a negative impact on the operations and business in the PRC which will in turn adversely affect the overall financial performance. In addition, PRC foreign exchange control may limit KRL's ability to utilise its cash effectively and affect its ability to receive dividends and other payments from its PRC branch company.

KRL may lose its right to carry out production operations to CNPC

Prior to the full recovery of development costs of the relevant oilfield by KRL, CNPC has the contractual rights to:-

(i) upon agreement reached through consultation with the joint management committee, take over the production operations for such oilfield so long as the takeover will not affect the interests of the parties to the Petroleum Contract; or

(ii) take over the production operations by giving written notice to KRL.

Although the take over of the production operations by CNPC will not affect KRL's right to a share in the proceeds arising from the crude oil production as disclosed above, any loss of production operations to CNPC will mean a loss of business activities for KRL.

The Company has no certainty for its removal from the Watch List

It was announced by the Company on 4 March 2008 and pursuant to Rule 1311 of the Listing Manual, the Company had been placed on the Watch List with effect from 5 March 2008. It was further announced that the Company may apply for its removal from the Watch List upon meeting either one of the following requirements:

(a) the Company records consolidated pre-tax profit for the latest completed financial year and has an average daily market trading capitalisation of S$40 million or more over the last 120 market days; or

(b) it satisfies the Mainboard admission criteria as set up in Listing Rule 210(2)(a) or 210 (b).

The Company would have within 24 months from 5 March 2008 to restore its financial health to the prescribed levels as aforesaid, failing which, the SGX-ST may either remove the Company from the Official List or suspend trading of the listed securities of the Company with a view to removing the Company from the Official List.

There is no certainty that the Company would be removed from the Watch List after the completion of the Proposed Acquisition. In addition, the Company may be delisted from the SGX-ST if it fails to restore its financial health to the prescribed levels as mentioned above.

12. PROPOSED DIVERSIFICATION OF BUSINESS

The Company's current principal business is that of engaging in the assembly of printed circuit boards and related accessories. Subject to the approval of the Shareholders of the Company in the EGM, the Company proposes to diversify its business activities to that of developing petroleum resources and producing petroleum for sale.

The reasons for the Proposed Diversification of Business are as follows:-

(a) Intense competition

The Group is currently positioned in the regional electronics industry which has been seeing declining sales and eroding profit margins amidst stiff competition. In December 2007, the Group closed its manufacturing plant located at Shenzhen plant 2 in Liao Keng Hanson Industrial Park Shiyan, Bao An Town, Shenzhen and consolidated its manufacturing operations in Shenzhen into one location. As announced on 30 September 2008, the Group will be closing its manufacturing operations in Penang, Malaysia. After assessing and evaluating the current market conditions of the electronics business, the Board is of the view that it is no longer viable to maintain a separate manufacturing facility in Penang. This closure will consolidate and optimize the usage of the Group's manufacturing activities in the PRC and is a continuing part of the Group's cost saving exercise. The closure of the manufacturing operations is expected to be completed in 2009.The Company will continue to face challenges in its ability to offer good service quality and pricing.

(b) Placement on the Watch-list of the SGX-ST

The Company has recorded pre-tax losses for the three (3) most recently completed consecutive financial years (based on the latest announced full year consolidated accounts, excluding exceptional or non-recurrent income and extraordinary items). On 4 March 2008, the Company announced that it has been placed on the Watch-List by SGX-ST pursuant to Rule 1311 of the Listing Manual with effect from 5 March 2008. The Company has within 24 months from 5 March 2008 to restore its financial health and meet the requirements of Listing Rule 1314, failing which the Exchange would delist the Company or suspend trading in the Company's shares with a view to delisting the Company.

As announced in the Company's full year financial statement and dividend announcement for the year ended 31 December 2008, on 26 February 2009, the Group incurred an unaudited loss before exceptional items of S$19.67 million against S$11.75 million in the previous year. This was mainly due to:-

(a) the increasingly deteriorating business conditions in respect of the Group's electronic business for the current year which, inter alia, necessitated the closure of the Group's plant in Penang;

(b) the losses realized on disposal of property, plant and equipment; and

(c) provision made for impairment loss in value of idle assets.

The Group's sales have decreased substantially, due to reduced orders from existing customers and a lack of major new customers. The reduced contributions from sales have been insufficient to cover the factory overheads, resulting in the Gross Loss.

Given the current financial crisis and global economic slowdown, the Board is of the opinion that the Group is expected to incur a Loss before Exceptional Items in its electronics business in 2009. Whilst the Group has been undertaking cost-cutting and consolidation measures to reduce its losses, the Group is currently positioned in the regional electronics industry which has been seeing declining sales and eroding profit margins amidst stiff competition. In view of the above, there is no assurance that the cost-cutting and consolidation measures will improve the Group's financial performance and thereby reduce the Group's risk of being delisted.

Taking into account the foregoing, it is the opinion of the Directors that there is a need to diversify the business activities of the Company, in particular into other industries that may allow more growth prospects. After due consideration, the Directors have identified the petroleum industry as one that may improve the long-term interests of Shareholders. The Proposed Diversification of Business will only take effect after the completion of the Proposed Acquisition and Proposed Debt Conversion. Please also refer to Section 6 of this Circular for further details on the rationale for the Proposed Acquisition.

13. APPROVAL BY THE SGX-ST

The SGX-ST has on 3 July 2009 granted its in-principle approval for the listing and quotation of 112,500,000 Consideration Shares and 15,000,000 Debt Conversion Shares to be issued by the Company pursuant to the Proposed Acquisition and Proposed Debt Conversion respectively. The conditions imposed by the SGX-ST in its approval-in-principle are as follows:

(a) Compliance with the SGX-ST's continuing listing rules;

(b) Independent shareholders' approval being obtained for the Proposed Acquisition and the Proposed Debt Conversion; and

(c) Until the crude oil production project at the Fuyu 1 Block, being the project currently undertaken by KRL achieves profitability, the Company will not participate in other greenfield projects.

The approval in-principle of the SGX-ST is not to be taken as an indication of the merits of the Proposed Acquisition, the Proposed Debt Conversion, the Consideration Shares, the Company and/or its subsidiaries.

14. EXTRAORDINARY GENERAL MEETING

The EGM, notice of which is set out on page N-1 of this Circular, will be held at Raffles City Convention Centre, 2 Stamford Road, Minto Room, Level 4, Singapore 178882 on Thursday, 30 July 2009, at 10.00 a.m. for the purpose of considering and, if thought fit, passing with or without modifications, the ordinary resolutions set out in the notice of EGM.

15. ADVICE OF THE IFA IN RELATION TO THE INTERESTED PERSON TRANSACTION

The independent Directors have appointed PrimePartners Corporate Finance Pte. Ltd. as the IFA who is of the opinion that on balance, the financial terms of the Proposed Acquisition are on normal commercial terms and are not prejudicial to the interests of the Company and its independent Shareholders. A copy of the IFA Letter from PrimePartners Corporate Finance Pte. Ltd. to the independent Directors, containing their advice in full, is set out in Appendix B of this Circular, and Shareholders' attention is drawn to it.

16. AUDIT COMMITTEE STATEMENT

The Audit Committee having reviewed, *inter alia*, the rationale for, the terms and conditions and the financial effects of the Proposed Acquisition and Proposed Debt Conversion and having considered the advice of the IFA in relation to the Proposed Acquisition, is of the opinion that the terms of the Proposed Acquisition and Proposed Debt Conversion are on normal commercial terms and are not prejudicial to the interests of the Company and the Shareholders.

17. DIRECTORS' RECOMMENDATIONS

(a) The Directors have considered and reviewed, inter alia, the terms of the SPA, the rationale for, and the financial effects of the Proposed Acquisition and all other relevant facts set out in this Circular. Save for Dato' Sri Dr. Tiong Ik King and Tan Sri Datuk Sir Tiong Hiew King who have refrained from making any recommendation, the Directors are collectively of the view that the Proposed Acquisition is in the best interests of the Company. The Directors therefore recommend that Shareholders vote in favour of the Proposed Acquisition at the EGM.

(b) Save for Dato' Sri Dr. Tiong Ik King and Tan Sri Datuk Sir Tiong Hiew King who have refrained from making any recommendation, the Directors are of the opinion that the Proposed Debt Conversion is in the best interests of the Company. Accordingly, they recommend that Shareholders vote in favour of the Proposed Debt Conversion.

(c) The Directors are of the opinion that the Proposed Diversification of Business is in the best interests of the Company. Accordingly, they recommend that Shareholders vote in favour of the Proposed Diversification of Business.

(d) Shareholders are advised to read this Circular in its entirety, in particular the rationale for and the financial effects of the Proposed Acquisition and Proposed Debt Conversion and for those who may require advice in the context of his specific investment, to consult his stockbroker, bank manager, solicitor, accountant or other professional adviser.

Shareholders should note that (i) the passing of ordinary resolution 1 and ordinary resolution 3 as set out in the notice of EGM are contingent on one another; and (ii) the passing of ordinary resolution 2 as set out in the notice of EGM is contingent upon the passing of ordinary resolutions 1 and 3, as such, in the event any of the said resolutions are not approved at the EGM the Proposed Transactions will not take place.

18. SHAREHOLDERS WHO WILL ABSTAIN FROM VOTING

The Associates of the Vendors, Tan Sri Datuk Sir Tiong Hiew King and Tiong Kiu King, including SPL, will abstain from voting their shareholdings, if any, in respect of the ordinary resolution relating to the Proposed Acquisition at the forthcoming EGM.

SPL being interested in the Proposed Debt Conversion shall therefore abstain from voting on the ordinary resolutions relating to the Proposed Debt Conversion and the issue and the allotment of the 15.0 million Debt Conversion Shares by the Company.

Further, Tan Sri Datuk Sir Tiong Hiew King and Tiong Kiu King who are the Vendors, undertake to decline to accept appointment as proxies to vote and attend at the forthcoming EGM unless Shareholders appointing them as proxies give specific instructions as to the manner in which they wish their votes for the resolutions to be cast.

19. ACTION TO BE TAKEN BY SHAREHOLDERS

(a) Shareholders who are unable to attend the EGM and wish to appoint a proxy to attend and vote at the EGM on their behalf must complete, sign and return the Proxy Form attached to this Circular in accordance with the instructions printed thereon as soon as possible and in any event so as to arrive at 25 Kallang Avenue #07-01 Singapore 339416 not less than 48 hours before the time fixed for the EGM. The completion and return of a Proxy Form by a Shareholder does not preclude him from attending and voting in person at the EGM should he subsequently decide to do so, although the appointment of the proxy shall be deemed to be revoked by such attendance.

(b) A Depositor shall not be regarded as a shareholder of the Company entitled to attend the EGM and to speak and vote thereat unless his name appears on the Depository Register at least 48 hours before the EGM.

20. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors (including those who may have delegated detailed supervision of the preparation of this Circular) collectively and individually accept responsibility for the accuracy of the information contained in this Circular and confirm that, having made all reasonable enquiries, to the best of their knowledge and belief, the facts stated and opinions expressed in this Circular are fair and accurate in all material respects as at the Latest Practicable Date and that there are no material facts the omission of which would make any statement in this Circular misleading in any material respect.

The Directors confirm that this Circular contains all other information known to the Company or any of its Directors, that is material to Shareholders in deciding whether it is in the interests of the Company to approve the Proposed Transactions. Such information includes, from an economic and commercial point of view, the true potential costs and detriments of, or resulting from, the transaction, including opportunity costs, taxation consequences, and benefits foregone by the Company.

21. KRL'S RESPONSIBILITY STATEMENT

KRL and the directors of KRL (including those who may have delegated detailed supervision of the preparation of this Circular) collectively and individually accept responsibility for the accuracy of the information contained in this Circular and confirm that, having made all reasonable enquiries, to the best of their knowledge and belief, the facts stated and opinions expressed in this Circular are fair and accurate in all material respects as at the Latest Practicable Date and that there are no material facts the omission of which would make any statement in this Circular misleading in any material respect.

KRL and the directors of KRL confirms that this Circular contains all other information known to KRL or any of its directors, that is material to Shareholders in deciding whether it is in the interests of the Company to approve the Proposed Acquisition. Such information includes, from an economic and commercial point of view, the true potential costs and detriments of, or resulting from, the transaction, including opportunity costs, taxation consequences, and benefits foregone by the Company.

22. CONSENTS

(a) The IFA, PrimePartners Corporate Finance Pte. Ltd., has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name and its letter to the independent Directors of the Company set out in Appendix B of this Circular and all references thereto in the form and context in which they appear in this Circular to act in such capacity in relation to this Circular;

(b) GCA has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name and its Technical Report and Economic Evaluation Report on the Fuyu 1 Block of Kingworld Resources Limited in Jilin Province of China set out in Appendices C and D of this Circular and all references thereto in the form and context in which they appear in this Circular; and

(c) Ernst & Young LLP, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name and all references thereto in the form and context in which they appear in this Circular to act in such capacity in relation to this Circular.

23. INSPECTION OF DOCUMENTS

The following documents are available for inspection at the registered office of the Company at 25 Kallang Avenue, #07-01, Singapore 339416 during normal business hours from the date of this Circular up to the date of the EGM:

(a) the Annual Report of the Company for FY2008;

(b) the Memorandum and Articles of Association of the Company;

(c) the Technical Report;

(d) the Economic Evaluation Report;

(e) the IFA letter dated 15 July 2009;

(f) the letters of consents referred to in Section 22 above;

(g) the SPA and Supplemental Agreement; and

(h) the Debt Conversion Deed and Supplemental Deed.

Yours faithfully
For and on behalf of the Board of Directors

Foo Sac Phoon
Chief Executive Officer & Executive Director

15 July 2009

To: The Shareholders of Tri-M Technologies (S) Limited
c/o Blk 25, Kallang Avenue, #07-01
Singapore 339416

Dear Sir/Madam

THE PROPOSED ACQUISITION (THE "ACQUISITION") BY TRI-M TECHNOLOGIES (S) LIMITED OF THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF KINGWORLD RESOURCES LIMITED FROM ITS EXISTING SHAREHOLDERS (COLLECTIVELY THE "VENDORS")

This letter has been prepared for inclusion in the Circular (the "Circular") to be issued to the shareholders of Tri-M Technologies (S) Limited ("the Company") in relation to the Acquisition. Except where the context otherwise requires, the definitions used in the Circular shall apply throughout this letter.

The Vendors have collectively and individually accepted full responsibility to the Company and the Shareholders and the Company's advisors for the truth and accuracy of the information contained in the Circular in respect of the Acquisition, Kingworld Resources Limited ("KRL"), the Vendors (including but not limited to the information contained in this letter). The Vendors also confirmed that, having made all reasonable enquiries and to the best of their knowledge and belief, the statements and the opinions expressed in this Circular in respect of the Acquisition, KRL and the Vendors (including but not limited to the information contained in this letter) are fair and accurate in all material respects as at the date of the Circular and that there are no material facts, the omission of which would make any statement in the Circular misleading.

1. Corporate Information and History

KRL is a company incorporated in the British Virgin Islands on 18 October 2005 and has an issued and paid-up capital of US$50,000 comprising 50,000 ordinary shares of par value of US$1.00 each as at the date of this Circular. The directors and shareholders of KRL are Tan Sri Datuk Sir Tiong Hiew King and Tiong Kiu King, each holding 50% of the entire issued share capital of KRL.

On 12 November 2007, KRL entered into the Petroleum Contract with CNPC relating to the joint development and production of hydrocarbon resources in the Fuyu 1 Block which was approved by the Ministry of Commerce of the PRC on 10 January 2008. The salient terms of the Petroleum Contract are set out in Paragraph 3.2 of this letter. Following the execution of the Petroleum Contract, KRL registered a branch company in the PRC to carry on the business of petroleum development and production. KRL's branch company in the PRC has obtained its business licence and the business licence is valid for a period of 30 years from 4 March 2008.

2. Business Overview

KRL was established with the objective of developing and producing petroleum for sale within or outside the PRC. KRL is currently in the evaluation phase relating to the joint development and production of petroleum at the Fuyu 1 Block. Please refer to the section "Progress of activities undertaken by KRL" in Paragraph 3.1 below for further details.

3. Production of Petroleum

3.1 Progress of activities undertaken by KRL

KRL is currently in the evaluation phase of the petroleum development project. As part of the evaluation process, KRL has completed or has commissioned external suppliers in respect of the following works:-

Acquisition of information from CNPC *inter alia* drilling map, hydrocarbon content report on testing wells, water reports, oil analysis reports, oil sand reports;

- Retained China Petroleum University (Beijing) to conduct a feasibility and evaluation study based on the information provided by CNPC;
- Completed approximately 513 km of 2D seismic mapping for the Contract Area;
- Set up a team of management and key engineers for the pilot test process;
- Obtained the approval from CNPC for the budget of 2008;
- Signed a contract with contractors for drilling of a minimum of 20 to a maximum of 60 evaluation wells; and
- Drilled 31 appraisal wells in different parts of the Contract Area including areas beyond the committed evaluation program.

KRL shall fulfil the following objectives during the evaluation period, including, *inter alia*:-

- Complete an appraisal program of seismic acquisition and parameter wells;
- Identify the technical process for the development and production of crude oil on a commercial basis;
- Prepare the STOIIP and reserves report;
- Submit land use proposal to seek governmental approval;
- Submit environmental impact analysis to CNPC for approval; and
- Compile Overall Development Plan for CNPC approval.

KRL has determined a production testing plan for FY2008 and FY2009. Such plan including the drilling of 60 testing wells in the Contract Area, the collection of soil sample to determine the hydrocarbon content, the efficiency of the Huff 'n' Puff method of production, the completion of the evaluation of the testing program, the completion and submission to CNPC for confirmation and PRC authorities for approval of the Overall Development Program of the oilfields in the Fuyu 1 Block. The objective of the evaluation phase is for KRL to identify and select the efficient and effective methods to produce crude oil from the oilfields in the Contract Area before it progresses to the development and production phases.

Under the terms of the Petroleum Contract, KRL is obligated to incur minimum evaluation expenditure of US$20 million for the 2 consecutive years of the evaluation period. KRL has budgeted a total expenditure of approximately US$17.9 million for the FY2008 which has been approved by the joint management committee formed by CNPC and KRL. The budgeted amounts will be applied towards the testing and evaluation works necessary for the determination of the Overall Development Program for the approval from CNPC.

After commencing commercial production, 65% of the annual gross production of crude oil produced in the Fuyu 1 Block (after deducting value-added tax and royalty) will be used to reimburse KRL for cost recovery expenses incurred by KRL. During the evaluation phase, KRL will be entitled to 30% of the crude oil from wells drilled by KRL, and the remaining 70% shall belong to CNPC, after deducting the value-added tax and royalty. After commencing commercial production, KRL will be entitled to 49% of the remaining crude oil, and CNPC entitled to the remaining 51% after cost recovery. Please refer to Paragraph 3.2 below for further details regarding the application of proceeds from crude oil production under the Petroleum Contract.

3.2 Salient Terms of the Petroleum Contract

The Petroleum Contract made between KRL and CNPC relating to the joint development and production of hydrocarbon resources at the Fuyu 1 Block with crude oil being its end product. KRL will be the operator responsible for carrying out the petroleum operations under the Petroleum Contract.

CNPC, established in 1998, is a large state-owned enterprise integrated with both upstream and downstream petroleum industry operations including exploration and development of oil and gas, oil refining, pipeline transmission and distribution, wholesale and retail sales of oil and gas products, oilfield services and oilfield equipment manufacture and supplies. CNPC is the holding company of PetroChina, a publicly listed company at Hong Kong and New York Stock Exchanges.

The Petroleum Contract is governed by PRC laws, and the material terms are briefly summarised below.

KRL's right to develop, produce and sale of crude oil

Under the terms of the Petroleum Contract, KRL shall have the rights to:-

(i) develop crude oil after obtaining the approval of CNPC to the work program and the Overall Development Program and the approval of the PRC authorities pursuant to other PRC laws and regulations, *inter alia* environmental laws, the Safety Pre-assessment Report for Oil and Natural Gas Development Construction Projects and Assessment Reports on Occupational Health Hazards Posed by the Construction Projects;

(ii) produce crude oil after the completion of the entire development operations; and

(iii) deliver and sell the crude oil produced by KRL to any destination at KRL's discretion, save to destinations which infringe on the interests of the PRC, and to prohibited destinations notified by CNPC pursuant to the PRC laws and regulations. Should KRL elect to sell its crude oil obtained under the Petroleum Contract within the PRC, KRL may only sell the same to PetroChina.

The Petroleum Contract also provides for the establishment of a joint management committee comprising an equal number of representatives from each of KRL and CNPC to facilitate the implementation of the Petroleum Contract. CNPC has agreed under the Petroleum Contract to render support and assistance to enable KRL to carry out the petroleum operations expeditiously and efficiently, including assisting KRL to obtain all approvals necessary for the Petroleum Contract for the assistance fee stipulated in the Petroleum Contract.

Contract Area of the Petroleum Contract

The Contract Area covers a total area of 254.9 sq km. In the event that oil reservoir or pay zone of an oilfield extends beyond the surface boundary of the Contract Area into an area in respect of which CNPC has the right to explore for, develop and/or produce crude oil, the Contract Area may be extended to include the extended oil reservoir or pay zone subject to the following conditions:

(i) no petroleum contracts have been entered into between CNPC and any other entity for such extended areas;

(ii) CNPC has consented to such extension;

(iii) CNPC and KRL have reached an agreement on terms and conditions for such extension; and

(iv) the relevant PRC authorities have approved such extension.

Duration of the Petroleum Contract

The Petroleum Contract will be implemented in 3 phases, namely an evaluation period, a development period and a production period.

Evaluation Period. The evaluation period is 3 years commencing after the Ministry of Commerce of the PRC has approved the Petroleum Contract ("Contract Implementation Commencement Date") and will end when KRL receives the approval of the relevant PRC authorities for the Overall Development Program. The evaluation period under the Petroleum Contract has commenced on 1 February 2008.

KRL may apply for an extension of the evaluation period if it needs more time to complete the preparation and application for approval of the Overall Development Program, subject to (a) the approval of CNPC; and (b) the approval of Ministry of Commerce, PRC. KRL shall bear all costs required for the evaluation operations during the evaluation period.

Development Period. The development period shall commence after obtaining the government approval for the Overall Development Program for the development of the said oilfield, and will end on the date of the completion of the development operations. KRL shall bear all the development costs during the development period.

Production Period. The production period of the oilfield(s) shall be twenty consecutive production years from the commencement of commercial production of the relevant oilfield. The date of commencement of commercial production of oil from any oilfield in the Fuyu 1 Block is subject to the approval of the production plan from CNPC and the total amount of oil extracted from such oilfield reaching a cumulative total of 40,000 metric tonnes. Of the 40,000 metric tonnes of oil, KRL is entitled to 30%, after deducting value-added tax and royalty.

The total duration of the Petroleum Contract shall not exceed 30 years from the approval of the Ministry of Commerce to the Petroleum Contract. Under the terms of the Petroleum Contract, KRL shall not conduct any exploration activities in the Contract Area. All new petroleum resources which are discovered by KRL in the course of the evaluation operations or the development operations shall fall within the scope of the Petroleum Contract.

Financing and Cost Recovery

Funds required for the production operations including the evaluation costs, development costs and production costs shall be raised by KRL. The operating costs incurred shall be paid by CNPC and KRL in accordance with the parties' proportion of the share oil being 51% and 49% respectively. However, CNPC's portion of operating costs shall be advanced by KRL and recovered by KRL from the production of crude oil.

Application of proceeds from crude oil production

Under the terms of the Petroleum Contract, the Operator (KRL) is required to pay for 100% of the evaluation costs, development costs and the operating costs. KRL will be entitled to recover such costs paid by it in kind according to a mechanism of "cost recovery oil" and "investment recovery oil" as described in the contract. After commencing commercial production, 65% of the annual gross production of crude oil produced in the Fuyu 1 Block (after deducting value-added tax and royalty) will be used to reimburse KRL for cost recovery expenses incurred by KRL. The remaining oil after cost recovery is "share oil", which is apportioned between CNPC (51%) and KRL (49%). At the production phase, CNPC is responsible for 51% of the operating costs. The joint venture entity will deduct all applicable taxes and royalty that might apply in PRC from the production, as applicable. KRL's "share oil" is subject to payment of all other corporate income tax that may be applicable in the PRC.

During the evaluation phase and for the period prior to the commercial production, the amount of crude oil produced from wells drilled by KRL shall be allocated at the proportion of 70% to CNPC and 30% to KRL, after deducting value-added tax and royalty.

Pricing of the crude oil

The price of the various grades of crude oil will be determined in US$ per metric tonne as a free on board (FOB) price at the point of delivery of the crude oil, whether within or outside the Contract Area. The selling price of the crude oil produced shall be made with reference to the prevailing price in arm's length transactions of similar quality crude oil on the main world oil markets and the adjustment in such price shall be made in accordance with such determinants as the quality of the crude oil, the term of delivery, transportation, payment and other terms. The crude oil price will be determined once every calendar quarter.

Operator

KRL shall act as the operator for the production works within the contract area and the production period. After the full recovery of the development costs actually incurred, CNPC shall, at any time, have the right to take over the production operations by giving written notice to KRL.

4. Industry Overview and Prospects

Due to the drastic slump in the world economy as a result of the collapse in the financial market in the second half of 2008 in both the U.S.A. and Europe, world demand for oil products including crude oil decreased sharply during the second half of the year. Crude oil price also dropped from the historical high level of about US$147 per barrel to only US$47 in February 2009. According to the latest Monthly Oil Market Report by the Organisation of the Petroleum Exporting Countries, global demand for crude in 2008 was only 85.88 million barrels per day as against 86.79 million barrels per day previously forecasted. It is expected that demand for crude oil in 2009 will continue to drop as there shall not be any substantial upswing in the world economy being projected.

However, the International Energy Outlook 2008 issued by the Energy Information Administration, world consumption of petroleum and other liquid fuels grows from 83.6 million barrels oil equivalent per day in 2005 to 95.6 million barrels per day in 2015 and 112.5 million barrels per day in 2030. Markets are expected to remain relatively tight. In nominal terms, world oil prices decline from their current highs to around US$70 per barrel in 2015, then rise steadily to US$113 per barrel in 2030. A major portion of the increase in demand shall come from those "non-conventional" oil importing countries including China and India. Over the next 25 years, world demand for liquid fuels and other petroleum is expected to increase more rapidly in the transportation sector than in any other end-use sector. (Source: www.eia.doe.gov)

5. Future Plans

To capture the business opportunities arising under the Petroleum Contract, KRL intend to adopt the following future plans in regard to the Fuyu 1 Block:

To identify the most feasible process and technology for the production of the Contingent Resources from the Fuyu 1 Block

A recent concept study was undertaken by KRL to identify the potential hydrocarbon resources in the Fuyu 1 Block and the technical feasibility of different thermal recovery methods for producing oil from the Fuyu reservoir. Based on the said concept study, KRL concluded that the Huff 'n' Puff and steam flooding methods are feasible in the Fuyu 1 Block. KRL will conduct more studies and tests to identity the most feasible production process for the production of petroleum from the Fuyu 1 Block. During its evaluation period, KRL's main focus would be to prepare the Overall Development Plan for confirmation by CNPC and approval by the PRC authorities, in order to move on to its next development period.

To commercialize the Contingent Resources located in KRL's Contract Area

KRL is planning to commercialise the Contingent Resources located in the Contract Area by selecting the most efficient and effective method to produce crude oil from the oilfields in the Contract Area, and formulating a production plan for the approval of CNPC. Thereafter, KRL will implement the field development plan in order to carry out commercial production of the crude oil located at the Fuyu 1 Block.

6. Competitive Strengths

KRL believes that its competitive strengths are as follows:

KRL has access to crude oil assets with Contingent Resources

Apart from the Contingent Resources, the relatively low cost of developing the shallow reservoir, the low cost of production in the PRC, advancement in technology and the high oil prices are making KRL's project commercially viable and possibly realise a higher profit margin. KRL also considers that the terms stated in the Petroleum Contract give it a competitive advantage relative to other oil companies that have similar business arrangement in the PRC.

KRL's management and key employees have proven track record in the PRC

KRL's policy is to recruit employees with particular knowledge in those core areas that KRL is focusing on. As a result, majority of KRL's management and key employees each possess more than 30 years' experience in discovering and developing oil reserves in the PRC or managing various natural resources business in different parts of the world. KRL considers such knowledge and experience to be rare and, as such, believes that it provides KRL with a competitive advantage relative to oil companies of similar size.

7. Directors and Key Management of KRL

The directors and key management of KRL are entrusted with the responsibility for the overall management of KRL. Information on their business and working experience are set out below:

Tan Sri Datuk Sir Tiong Hiew King is a shareholder and director of KRL. He is the executive chairman and founder of Rimbunan Hijau Group, a large diversified conglomerate in Malaysia with extensive international business interests. He is also the Executive Chairman of the Company and Media Chinese International Limited, a company primarily listed on the main boards of both the Stock Exchange of Hong Kong Ltd and Bursa Securities Bhd. Tan Sri Datuk Sir Tiong has

extensive experience in a number of industries, including timber, plantations, media and publishing, oil and gas, mining, fishery, information technology, and manufacturing etc. He has established businesses in a number of countries in the world, including Malaysia, Singapore, Hong Kong, Mainland China, the United States, Canada, Russia, Australia, New Zealand, Papua New Guinea, Indonesia, Cambodia, Gabon, Equatorial Guinea, British Guyana and elsewhere.

Tiong Kiu King is a shareholder and director of KRL. He is also the executive chairman of One Media Group Limited, a company listed on the main board of the Stock Exchange of Hong Kong, and an executive director of Media Chinese International Limited, a company primarily listed on the main boards of both the Stock Exchange of Hong Kong Ltd and Bursa Securities Bhd. Tiong Kiu King obtained a Diploma in Civil Engineering from Tak Ming College in Hong Kong in 1964. He has extensive business in many industries, including timbers, media and publishing, property development, plantation, as well as investment projects in Mainland China. He is a brother of Tan Sri Datuk Sir Tiong Hiew King.

Tsang Hin Sung is the general manager of KRL. He is also an advisor of investment projects of Rimbunan Hijau Group in the PRC, a group owned and controlled by Tan Sri Datuk Sir Tiong Hiew King, the executive chairman of the Company. Tsang Hin Sung has over 40 years of experience in various businesses in the PRC, including petroleum, mining, property development, toll roads, water treatment, and manufacturing. Tsang Hin Sung obtained a bachelor degree in Mathematics from the University of Hainan in 1962.

Xie Shen is the chief engineer and adviser to General Manager of KRL. He is a certified senior engineer (professor level) in the PRC and is one of the most experienced all-round specialists in the petroleum industry in the PRC. Prior to joining KRL, he was the chairman of Songyuan Yongda Oilfield Development and Technology Company Ltd and the deputy director of Jilin Oilfield. Xie Shen has over 46 years of experience in the petroleum industry in the PRC and has received a number of awards, including National Advanced Science and Technology Award. He obtained a bachelor degree in Petroleum Geology from the Beijing Petroleum Institute in the PRC in 1961.

Gao Yinghua is the technical director of KRL. She is a certified senior engineer in the PRC and is one of the most experienced heavy oil specialists in the petroleum industry in the PRC, especially in the field of production and exploitation. Prior to joining KRL, she was the chief engineer of Beijing BFC Petroleum Technology Ltd. Gao Yinghua has over 37 years of experience in petroleum industry in the PRC and has received a number of awards, including Oilfield Advanced Science and Technology Award. She obtained a bachelor degree in Oil Production and Exploitation from Southwest China Petroleum Institute in 1970.

8. Material Regulatory Licences and Approval

The material laws and regulations in the PRC governing the operations of KRL are briefly summarised below:

Production Licences

The Mineral Resources Law authorizes the Ministry of Land and Resources of the PRC to exercise administrative authority over the exploration and production of mineral resources within the PRC. The Mineral Resources Law and its supplementary regulations provide the basic legal framework under which exploration licenses and production licenses are granted. The Ministry of Land and Resources has the authority to issue exploration licenses and production licenses. Applicants must be companies approved by the State Council to engage in oil and gas exploration and production activities.

The Ministry of Land and Resources issues production licenses to applicants on the basis of the reserve reports approved by the relevant authorities. Production license holders are required to pay an annual production right usage fee of RMB 1,000 per square kilometer. Administrative rules issued by the State Council provide that the maximum term of a production license is 30 years. In accordance with a special approval from the State Council, the Ministry of Land and Resources has issued production licenses with terms coextensive with the projected productive life of the assessed proven reserves as discussed above. Our current production license is renewable upon our application 30 days prior to expiration. If oil and gas prices increase, the productive life of our crude oil and natural gas reservoirs may be extended beyond the current terms of the relevant production license.

Among the major PRC oil and gas companies, the exploration licenses and production licenses held by PetroChina, Sinopec and CNOOC account for the majority of mining rights in the PRC. Among those companies, PetroChina and Sinopec primarily engage in onshore exploration and production, while CNOOC primarily engages in offshore exploration and production.

The exploration permit and survey permit of crude oil in the contractual area are currently owned by PetroChina. According to the Petroleum Contract, KRL has obtained the right to evaluate, develop and produce crude oil.

Foreign Investments

Currently, only CNPC and Sinopec have the right to cooperate with foreign companies in onshore crude oil and natural gas exploration and production in the PRC. CNOOC has the right to cooperate with foreign companies in offshore crude oil and natural gas exploration and production in the PRC. Sino-foreign cooperation projects and foreign parties in onshore oil and gas exploration and production in the PRC are generally selected through open bids and bilateral negotiations. Those projects are generally conducted through production sharing contracts. The Ministry of Commerce must approve those contracts.

As authorized by the Regulations of the PRC on Exploration of Onshore Petroleum Resources in Cooperation with Foreign Enterprises, CNPC has the right to enter into joint cooperation arrangements with foreign oil and gas companies for onshore crude oil and natural gas exploration and production. Since 1 December 2007, PRC regulations encourage foreign investment in the construction and operation of oil and gas pipelines and storage facilities but restrict foreign investment in refineries with an annual capacity of 8 million tonnes or lower. Construction of new refinery or ethylene facilities, expansion of existing refinery facilities and upgrading of existing ethylene facilities by increasing annual production capacity of more than 200 thousand tonnes are subject to the approval of relevant government authorities. The ethylene production projects with an annual production capacity exceeding 800 thousand tonnes must be majority-owned by Chinese parties. Furthermore, when appropriate, projects must receive necessary approvals from relevant PRC government agencies.

Import and Export

Since 1 January 2002, state-owned trading companies have been allowed to import crude oil under an automatic licensing system. Non state-owned trading companies have been allowed to import crude oil and refine products subject to quotas. The export of crude oil and refined oil products by both state-owned trading companies and non-state-owned trading companies is subject to quota control.

Capital Investment and Financing

Capital investments in exploration and production of crude oil and natural gas made by Chinese oil and gas companies are subject to approval by filing with relevant government authorities. The following projects are subject to approval by the National Development and Reform Commission:

(1) new oilfield development projects with an annual capacity of 1 million tonnes or above and new gas field development projects with an annual capacity of 2 billion cubic meters or above;

(2) facilities for taking delivery of, storing or transporting imported liquefied natural gas, and cross-province (region or municipality) major oil transmission pipeline facilities;

(3) cross-province (region or municipality) gas transmission facilities, or gas transmission facilities with an annual capacity of 500 million cubic meters or above;

(4) new refineries, first expansion of existing refineries, new ethylene projects, and transformation or expansion of existing ethylene projects which will result in an additional annual capacity of 200 thousand tonnes;

(5) new PTA, PX, MDI and TDI projects, and transformation of existing PTA and PX projects which will result in an additional capacity of 100 thousand tonnes;

(6) potassium mineral fertilizer projects with an annual capacity of 500 thousand tonnes or more; and

(7) national crude oil reserve facilities.

Environmental Regulations

The PRC has adopted extensive environmental laws and regulations that affect the operation of the oil and gas industry. There are national and local standards applicable to emissions control, discharges to surface and subsurface water and disposal, and the generation, handling, storage, transportation, treatment and disposal of solid waste materials.

The environmental regulations require a company, such as KRL, to register or file an environmental impact report with the relevant environmental bureau for approval before it undertakes any construction of a new production facility or any major expansion or renovation of an existing production facility. The new facility or the expanded or renovated facility will not be permitted to operate unless the relevant environmental bureau has inspected to its satisfaction that environmental equipment that satisfies the environmental protection requirements has been installed for the facility. A company that wishes to discharge pollutants, whether it is in the form of emission, water or materials, must submit a pollutant discharge declaration statement detailing the amount, type, location and method of treatment. After reviewing the pollutant discharge declaration, the relevant environmental bureau will determine the amount of discharge allowable under the law and will issue a pollutant discharge license for that amount of discharge subject to the payment of discharge fees. If a company discharges more than is permitted in the pollutant discharge license, the relevant environmental bureau can fine the company up to several times the discharge fees payable by the offending company for its allowable discharge, or require the offending company to close its operation to remedy the problem.

KRL is in compliance with all applicable environmental regulations under PRC laws.

9. Audited Financial Information of KRL

The selected financial highlights of KRL based on the audited financial statements of KRL for the last 3 financial years are as follows:

S$	18 Oct 2005 to 31 Dec 2005	01 Jan 2006 to 31 Dec 2006	01 Jan 2007 to 31 Dec 2007	01 Jan 2008 to 31 Dec 2008
Administrative expenses	(1,732)	(254,014)	(402,816)	(970,100)
Other operating expenses	(43)	–	(371,345)	(354,834)
Loss from operations	**(1,775)**	**(254,014)**	**(774,161)**	**(1,324,934)**
Other income	2	29	25	45,491
Loss before taxation	**(1,773)**	**(253,985)**	**(774,136)**	**(1,279,443)**
Taxation	–	–	–	–
Loss for the period/year	**(1,773)**	**(253,985)**	**(774,136)**	**(1,279,443)**

S$	31 Dec 2005	31 Dec 2006	31 Dec 2007	31 Dec 2008
Non-Current Assets	–	–	–	11,780,748
Current Assets	82,005	3,500	15,434	987,366
Current Liabilities	–	–	–	(6,620,522)
Net Current Assets /(Liabilities)	82,005	3,500	15,434	(5,633,156)
Net Assets	**82,005**	**3,500**	**15,434**	**6,147,592**
Equity attributable to equity holders				
Share capital	83,765	83,765	83,765	83,765
Reserves	(1,760)	(259,137)	(1,026,341)	(2,302,294)
	82,005	(175,372)	(942,576)	(2,218,529)
Amount due to shareholders	–	178,872	958,010	8,366,121
Total Equity	**82,005**	**3,500**	**15,434**	**6,147,592**

Yours faithfully
For and on behalf of the board of directors of Kingworld Resources Limited

Tan Sri Datuk Sir Tiong Hiew King
Director

Tiong Kiu King
Director

APPENDIX A–1
AUDITED FINANCIAL STATEMENTS OF KINGWORLD RESOURCES LIMITED FROM DATE OF INCORPORATION TO 31 DECEMBER 2008

Kingworld Resources Limited

Audited Financial Statements
31 December 2005, 2006 and 2007

APPENDIX A–1
AUDITED FINANCIAL STATEMENTS OF KINGWORLD RESOURCES LIMITED FROM DATE OF INCORPORATION TO 31 DECEMBER 2008

Kingworld Resources Limited

General Information

Directors

Tan Sri Datuk Tiong Hiew King
Tiong Kiu King

Registered Office

Pasea Estate, Road Town
Tortola, British Virgin Islands

Banker

The HongKong and Shanghai Banking Corporation Limited

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Kingworld Resources Limited

Statement by Directors

We, Tan Sri Datuk Tiong Hiew King and Tiong Kiu King, being the two Directors of Kingworld Resources Limited (the "Company"), do hereby state that, in the opinion of the Directors:

(i) the accompanying balance sheets, income statements, statements of changes in equity and cash flow statements together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Company as at 31 December 2005, 31 December 2006 and 31 December 2007 and the results of the business, changes in equity and cash flow of the Company for the periods ended on those dates; and

(ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due, as its shareholders have undertaken to provide adequate funds for the Company to meet their liabilities as and when they fall due and not to recall amounts owing to them.

Tan Sri Datuk Tiong Hiew King
Director

Tiong Kiu King
Director

29 April 2009

Kingworld Resources Limited

Independent Auditors' Report

To the Board of Directors of Kingworld Resources Limited
Pasea Estate, Road Town,
Tortola,
British Virgin Islands.

We have audited the accompanying financial statements of Kingworld Resources Limited (the "Company") which comprise the balance sheets as at 31 December 2005, 31 December 2006 and 31 December 2007, the income statements, statements of changes in equity and cash flow statements for the periods then ended, and a summary of significant accounting policies and other explanatory notes.

The accompanying financial statements are the responsibility of the Company's management who have prepared them for the inclusion in the Circular to the shareholders of Tri-M Technologies (S) Limited to facilitate their approval for the acquisition of the Company. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Singapore Standards on Auditing applicable to the audit of financial statements. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves examining, on a test basis evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial positions of the Company as at 31 December 2005, 31 December 2006 and 31 December 2007 and of the results of its operations, its changes in equity and cash flow for those periods then ended in accordance with Singapore Financial Reporting Standards.

These financial statements and our report are solely for the purpose set out in the second paragraph above and are not to be used for any other purpose or to be distributed to any other parties.

ERNST & YOUNG LLP
Public Accountants and
Certified Public Accountants
Singapore
29 April 2009

Kingworld Resources Limited

Balance Sheets as at 31 December 2005, 2006 and 2007

	Note	31.12.2005 $	31.12.2006 $	31.12.2007 $
Current Assets				
Other receivables	4	78,223	–	–
Cash and cash equivalents	5	3,782	3,500	15,434
Net Assets		82,005	3,500	15,434
Equity attributable to equity holders of the Company				
Share capital	6	83,765	83,765	83,765
Reserves	7	(1,760)	(259,137)	(1,026,341)
		82,005	(175,372)	(942,576)
Amounts due to shareholders	8	–	178,872	958,010
Total Equity		82,005	3,500	15,434

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Kingworld Resources Limited

Income Statements for the periods from 18 October 2005 (date of incorporation) to 31 December 2005, 1 January 2006 to 31 December 2006 and 1 January 2007 to 31 December 2007

	Note	18.10.2005 to 31.12.2005 $	01.01.2006 to 31.12.2006 $	01.01.2007 to 31.12.2007 $
Administrative expenses		(1,732)	(254,014)	(402,816)
Other operating expenses	9	(43)	–	(371,345)
Loss from operations		**(1,775)**	**(254,014)**	**(774,161)**
Interest income		2	29	25
Loss before taxation	10	**(1,773)**	**(253,985)**	**(774,136)**
Taxation	11	–	–	–
Loss for the period/year		**(1,773)**	**(253,985)**	**(774,136)**

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Kingworld Resources Limited

Statements of Changes in Equity for the periods from 18 October 2005 (date of incorporation) to 31 December 2005, 1 January 2006 to 31 December 2006 and 1 January 2007 to 31 December 2007

	Attributable to equity holders of the Company				
	Share capital $	**Foreign currency translation reserve** $	**Accumulated losses** $	**Total reserves** $	**Total equity** $
At 18 October 2005 (date of incorporation)	83,765	–	–	–	83,765
Net effect of exchange differences recognised directly in equity	–	13	–	13	13
Loss for the period	–	–	(1,773)	(1,773)	(1,773)
Total recognised income and expenses for the period	–	13	(1,773)	(1,760)	(1,760)
At 31 December 2005 and 1 January 2006	83,765	13	(1,773)	(1,760)	82,005
Net effect of exchange differences recognised directly in equity	–	(3,392)	–	(3,392)	(3,392)
Loss for the year	–	–	(253,985)	(253,985)	(253,985)
Total recognised income and expenses for the year	–	(3,392)	(253,985)	(257,377)	(257,377)
At 31 December 2006 and 1 January 2007	83,765	(3,379)	(255,758)	(259,137)	(175,372)
Net effect of exchange differences recognised directly in equity	–	6,932	–	6,932	6,932
Loss for the year	–	–	(774,136)	(774,136)	(774,136)
Total recognised income and expenses for the year	–	6,932	(774,136)	(767,204)	(767,204)
At 31 December 2007	83,765	3,553	(1,029,894)	(1,026,341)	(942,576)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Kingworld Resources Limited

Cash Flow Statements for the periods from 18 October 2005 (date of incorporation) to 31 December 2005, 1 January 2006 to 31 December 2006 and 1 January 2007 to 31 December 2007

	18.10.2005 to 31.12.2005 $	1.1.2006 to 31.12.2006 $	1.1.2007 to 31.12.2007 $
Cash flow from operating activities			
Loss before taxation	(1,773)	(253,985)	(774,136)
Adjustments for:			
Interest income	(2)	(29)	(25)
Operating cashflow before working capital changes	(1,775)	(254,014)	(774,161)
(Increase)/decrease in other receivables	(78,223)	78,223	–
Cash used in operations	(79,998)	(175,791)	(774,161)
Interest received	2	29	25
Net cash used in operating activities	(79,996)	(175,762)	(774,136)
Cash flow from financing activities			
Proceeds from issuance of shares	83,765	–	–
Increase in amounts due to shareholders	–	178,872	779,138
Net cash generated from financing activities	83,765	178,872	779,138
Net increase in cash and cash equivalents	3,769	3,110	5,002
Effect of exchange rate changes on cash and cash equivalents	13	(3,392)	6,932
Cash and cash equivalents at beginning of period/year	–	3,782	3,500
Cash and cash equivalents at end of period/year (Note 5)	3,782	3,500	15,434

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Kingworld Resources Limited

Notes to the Financial Statements – for the periods from 18 October 2005 (date of incorporation) to 31 December 2005, 1 January 2006 to 31 December 2006 and 1 January 2007 to 31 December 2007

1. Corporate information

Kingworld Resources Limited (the "Company") is a limited liability company incorporated in the British Virgin Islands on 18 October 2005.

The registered office of the Company is located at Pasea Estate, Road Town, Tortola, British Virgin Islands. The principal place of business of the Company is located at Room 2901, 29 Floor, Tower 2, Lippo Centre, 89 Queensway, Hong Kong.

The principal activities of the Company are development and production of petroleum resources. The Company has not commenced commercial operations.

Related parties include companies owned directly or indirectly by the shareholders of the Company.

Operations

On 12 November 2007, the Company entered into a petroleum production sharing contract ("PSC") with China National Petroleum Corporation ("CNPC") relating to the joint development and production of hydrocarbon resources in Fuyu 1 Block.

Production Sharing Contract ("PSC")

The Company has no ownership interest in the PSC assets nor in the related oil and gas reserves, but rather has the right to operate the assets and receive production and/or revenue from the sale of oil and gas in accordance with the PSC. The salient terms of the PSC are set out below.

Duration of the PSC

The PSC will be implemented in 3 phases, namely an evaluation period, a development period and a production period.

Evaluation Period. The evaluation period is 3 years commencing after the Ministry of Commerce of the People's Republic of China ("PRC") has approved the PSC ("Contract Implementation Commencement Date") and will end when the Company receives the approval of the relevant PRC authorities for the Overall Development Programme.

The Company may apply for an extension of the evaluation period if it needs more time to complete the preparation and application for approval of the Overall Development Programme, subject to (a) the approval of CNPC; and (b) the approval of Ministry of Commerce, PRC. The Company shall bear all costs required for the evaluation operations during the evaluation period.

Development Period. The development period shall commence after obtaining the government approval for the Overall Development Programme for the development of the said oilfield, and will end on the date of the completion of the development operations. The Company shall bear all the development costs during the development period.

Kingworld Resources Limited

Notes to the Financial Statements – for the periods from 18 October 2005 (date of incorporation) to 31 December 2005, 1 January 2006 to 31 December 2006 and 1 January 2007 to 31 December 2007

1. Corporate information (cont'd)

Production Sharing Contract (PSC) (cont'd)

Duration of the PSC (cont'd)

Production Period. The production period of the oilfield(s) shall be twenty consecutive production years from the commencement of commercial production of the relevant oilfield. The date of commencement of the production of oil from any oilfield in Fuyu 1 Block is subject to the approval of the production plan from CNPC and the total amount of oil extracted from such oilfield reaching a cumulative total of 40,000 metric tonnes. Of the 40,000 metric tonnes of oil, the Company is entitled to 30%.

The total duration of the PSC shall not exceed 30 years from the approval of the Ministry of Commerce for the PSC. Under the terms of the PSC, the Company shall not conduct any exploration activities in the PSC area. Any new petroleum resources which are discovered by the Company in the course of the evaluation operations or the development operations shall fall within the scope of the PSC.

Financing and Cost Recovery

Funds required for the production operations including the evaluation costs, development costs and production cost shall be raised by the Company. The operation costs incurred shall be paid by CNPC and the Company in accordance with the parties' proportion of the shared oil. However, CNPC's portion of operating costs shall be advanced by the Company and recovered by the Company from the production of crude oil.

Application of proceeds from crude oil production

Under the terms of the PSC, the Contractor, which is the Company, pays 100% of evaluation costs, development costs and 49% of the operating costs, which it recovers according to a mechanism of "cost recovery oil" and "investment recovery oil" as described in the contract. Remaining oil after cost recovery is "shared oil", which is apportioned between CNPC 51% and the Company 49%. The joint venture entity will deduct all applicable taxes and royalty that might apply in PRC from the production in kind or in cash as they are applicable. The Company's "shared oil" is subject to payment of all other corporate income tax that may be applicable in the PRC.

Pricing of the crude oil

The price of the various grades of crude oil will be determined in US$ per metric tonne as a free onboard (FOB) price at the point of delivery of the crude oil, whether within or outside the PSC area. The selling price of the crude oil produced shall be made with reference to the prevailing price in arm's length transactions or similar quality crude oil on the main world oil markets and the adjustment in such price shall be made in accordance with such determinants as the quality of the crude oil, the terms of delivery, transportation, payment and other terms. The crude oil price will be determined once every calendar quarter.

Operator

The Company shall act as the operator for the production works within the PSC area and the production period. After the full recovery of the development costs actually incurred, CNPC shall, at any time, have the right to take over the production operations by giving written notice to the Company.

Kingworld Resources Limited

Notes to the Financial Statements – for the periods from 18 October 2005 (date of incorporation) to 31 December 2005, 1 January 2006 to 31 December 2006 and 1 January 2007 to 31 December 2007

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements are prepared for the purpose of Tri-M Technologies (S) Limited ("Tri-M")'s acquisition of the Company and will form part of the Company's letter to shareholders of Tri-M. The letter will be included in the Circular to the shareholders of Tri-M to facilitate their approval for the acquisition. As the financial statements are prepared for such purpose and to seek Tri-M's shareholders' approval, they are presented in Singapore dollars (SGD or $).

The financial statements of the Company have been prepared in accordance with Singapore Financial Reporting Standards (FRS) and are prepared under the historical cost basis except as disclosed in the accounting policies below.

2.2 Changes in accounting policies

(a) Early adoption of FRS

The Company has early adopted the following standards that have been issued and effective for financial periods beginning on or after 1 January 2008:

FRS 1	: Presentation of Financial Statements – Amendments relating to Capital Disclosure
FRS 107	: Financial Instruments - Disclosures

Amendments to FRS 1 requires new disclosures to enable users of the financial statements to evaluate the Company's objectives, policies and processes for managing capital. FRS 107 requires new disclosures to improve the information about financial instruments. It requires the disclosures of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about market risk, credit risk and liquidity risk, including sensitivity analysis to market risk.

As this is a disclosure standard, it will have no impact on the financial position or financial performance of the Company.

(b) Future changes in accounting policies

The Company has not adopted the following FRS and INT FRS that have been issued but not yet effective:

		Effective for annual period beginning on or after
FRS 1	: Presentation of Financial Statements – Revised Presentation	1 January 2009
FRS 1	: Presentation of Financial Statements – Amendments relating to Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009
FRS 23	: Borrowing Costs	1 January 2009

2. Summary of significant accounting policies (cont'd)

2.2 Changes in accounting policies (cont'd)

(b) Future changes in accounting policies (cont'd)

		Effective for annual period beginning on or after
FRS 27	: Consolidated and Separate Financial Statements – Amendments relating to Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2009
FRS 32	: Financial Instruments: Presentation – Amendments relating to Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009
FRS 39	: Financial Instruments: Recognition and Measurement – Amendments relating to Eligible Hedged Items	1 July 2009
FRS 101	: First-time Adoption of Financial Reporting Standards – Amendments relating to Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2009
FRS 102	: Share-based Payments – Amendments relating to Vesting Conditions and Cancellation	1 January 2009
FRS 107	: Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments	1 January 2009
FRS 108	: Operating Segments	1 January 2009
INT FRS 111	: FRS 102 – Group and Treasury Share Transactions	1 March 2007
INT FRS 112	: Service Concession Arrangements	1 January 2008
INT FRS 113	: Customer Loyalty Programmes	1 July 2008
INT FRS 114	: FRS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2008
INT FRS 116	: Hedges of a Net Investment in a Foreign Operation	1 October 2008
INT FRS 117	: Distribution of Non-cash Assets to Owners	1 July 2009
INT FRS 118	: Transfers of Assets for customers	1 July 2009

The Directors expect that the adoption of the above pronouncements will have no material impact on the financial statements in the period of initial application, except for FRS 1 as indicated below.

FRS 1, Presentation of Financial Instruments – Revised Presentation

The revised FRS 1 requires owner and non-owner changes in equity to be presented separately. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line item. In addition, the revised standard introduces the statement of comprehensive income: it presents all items of income and expenses recognised in profit or loss, together with all other items of recognised income and expenses, either in one single statement, or in two linked statements. The Company is currently evaluating the format to adopt.

Kingworld Resources Limited

Notes to the Financial Statements – for the periods from 18 October 2005 (date of incorporation) to 31 December 2005, 1 January 2006 to 31 December 2006 and 1 January 2007 to 31 December 2007

2. Summary of significant accounting policies (cont'd)

2.3 Foreign currencies

(a) Functional currency

Management has determined the currency of the primary economic environment in which the Company operates, i.e. the functional currency, to be Renminbi (RMB). Major operating expenses are primarily influenced by fluctuations in RMB.

(b) Foreign currency transactions

Transactions in foreign currencies are measured in the functional currency of the Company and are recorded on initial recognition in the functional currency at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Exchange differences arising from the settlement of monetary items or on translating monetary items at the balance sheet date are recognised in the income statement.

(c) Foreign currency translation

The results and financial positions of the Company and its foreign operations are translated to the presentation currency using the following procedures:

(i) assets and liabilities for each balance sheet presented (i.e. including comparatives) are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement (i.e. including comparatives) are translated at the average exchange rates for the relevant period; and

(iii) all resulting exchange differences shall be recognised as foreign currency translation reserve.

2.4 Financial assets

Financial assets are recognised on the balance sheet when, and only when, the Company becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

A financial asset is derecognised where the contractual right to receive cash flow from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that has been recognised directly in equity is recognised in the income statement.

2. Summary of significant accounting policies (cont'd)

2.4 Financial assets (cont'd)

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e. the date that the Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, and through the amortisation process.

Other receivables and cash and cash equivalents are classified and accounted for as loans and receivables.

2.5 Impairment of financial assets

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset is impaired.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flow discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in the income statement.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Company considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in the income statement.

2.6 Cash and bank equivalents

Cash and bank equivalents comprise cash and bank balances.

Kingworld Resources Limited

Notes to the Financial Statements – for the periods from 18 October 2005 (date of incorporation) to 31 December 2005, 1 January 2006 to 31 December 2006 and 1 January 2007 to 31 December 2007

2. Summary of significant accounting policies (cont'd)

2.7 Financial liabilities

Financial liabilities are recognised on the balance sheet when, and only when, the Company becomes a party to the contractual provisions of the financial instrument.

Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transaction costs.

Subsequent to initial recognition, all financial liabilities are measured at amortised cost using the effective interest method.

A financial liability is derecognised when the obligation under the liability is extinguished. For financial liabilities other than derivatives, gains and losses are recognised in the income statement when the liabilities are derecognised, and through the amortisation process.

2.8 Employee benefits

Defined contribution plans

The Company has operations in the PRC and is required to provide certain staff pension benefits to their employees under existing PRC regulations. Pension contributions are provided at rates stipulated by PRC regulations and are contributed to a pension fund managed by government agencies, which are responsible for administering these amounts for the Company's employees. The above contributions are recognised as an expense in the period in which the related service is performed.

2.9 Interest income

Interest income is recognised using the effective interest method.

2.10 Income taxes

(i) Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Current taxes are recognised in the income statement except that tax relating to items recognised directly in equity is recognised directly in equity.

(ii) Deferred tax

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Kingworld Resources Limited

Notes to the Financial Statements – for the periods from 18 October 2005 (date of incorporation) to 31 December 2005, 1 January 2006 to 31 December 2006 and 1 January 2007 to 31 December 2007

2. Summary of significant accounting policies (cont'd)

2.10 Income taxes (cont'd)

(ii) Deferred tax (cont'd)

Deferred tax assets and liabilities are recognised for all temporary differences, except:

- Where the deferred tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences and carry-forward of unused tax credits and unused tax losses, if it is not probable that taxable profit will be available against which the deductible temporary differences and carry-forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred taxes are recognised in the income statement except that deferred tax relating to items recognised directly in equity is recognised directly in equity.

3. Significant accounting judgements and estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

3.1 Judgements made in applying accounting policies

The Directors are of the view that there are no judgements made by management in the process of applying the Company's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

3.2 Key sources of estimation uncertainty

The Directors are of the view that there are no 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.

Kingworld Resources Limited

Notes to the Financial Statements – for the periods from 18 October 2005 (date of incorporation) to 31 December 2005, 1 January 2006 to 31 December 2006 and 1 January 2007 to 31 December 2007

4. Other receivables

	31.12.2005 $	31.12.2006 $	31.12.2007 $
Amounts due from shareholders	78,223	–	–
Add:			
Cash and cash equivalents (Note 5)	3,782	3,500	15,434
Total loans and receivables	82,005	3,500	15,434

Amounts due from shareholders are unsecured, non-interest bearing and repayable on demand and are expected to be received in cash.

Amounts due from shareholders are denominated in United States Dollars.

5. Cash and cash equivalents

	31.12.2005 $	31.12.2006 $	31.12.2007 $
Cash and bank balances	3,782	3,500	15,434

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Cash at bank and on hand are denominated in the following currencies:

	31.12.2005 $	31.12.2006 $	31.12.2007 $
United States Dollars	1,677	1,568	1,352
Hong Kong Dollars	2,105	1,932	14,082
	3,782	3,500	15,434

6. Share capital

	31.12.2005		31.12.2006		31.12.2007	
	No. of shares	$	No. of shares	$	No. of shares	$
Issued and fully paid						
At beginning of period/year	–	–	50,000	83,765	50,000	83,765
Issued during the period/ year	50,000	83,765	–	–	–	–
At end of period/year	50,000	83,765	50,000	83,765	50,000	83,765

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction.

Kingworld Resources Limited

Notes to the Financial Statements – for the periods from 18 October 2005 (date of incorporation) to 31 December 2005, 1 January 2006 to 31 December 2006 and 1 January 2007 to 31 December 2007

7. Reserves

	31.12.2005 $	31.12.2006 $	31.12.2007 $
Accumulated losses	(1,773)	(255,758)	(1,029,894)
Foreign currency translation reserve	13	(3,379)	3,553
	(1,760)	(259,137)	(1,026,341)

Foreign currency translation reserve

The foreign currency translation reserve records exchange differences arising from the translation of the financial statements whose functional currency is different from that of the presentation currency.

	31.12.2005 $	31.12.2006 $	31.12.2007 $
At beginning of period/year	–	13	(3,379)
Net effect of exchange differences arising from translation of financial statements	13	(3,392)	6,932
At end of period/year	13	(3,379)	3,553

8. Amounts due to shareholders

The balances are unsecured, non-interest bearing, non-trade and are considered to be quasi-equity. The shareholders have agreed in principle to waive the amounts by way of capitalisation as equity when the sale and purchase agreement with Tri-M (Note 15(b)) has been duly approved and reaches completion.

9. Other operating expenses

	18.10.2005 to 31.12.2005 $	1.1.2006 to 31.12.2006 $	1.1.2007 to 31.12.2007 $
Bank charges	43	–	371,345

Kingworld Resources Limited

Notes to the Financial Statements – for the periods from 18 October 2005 (date of incorporation) to 31 December 2005, 1 January 2006 to 31 December 2006 and 1 January 2007 to 31 December 2007

10. Loss before taxation

Loss before tax included the following:

	18.10.2005 to 31.12.2005 $	1.1.2006 to 31.12.2006 $	1.1.2007 to 31.12.2007 $
Staff costs:			
- Salaries and wages	–	60,717	194,182
- Staff welfare	–	4,360	4,864

11. Taxation

No current income tax has been provided because the Company is in a loss position. Deferred tax assets have not been recognised because management is uncertain as to when it would be probable that future taxable profit will allow the deferred tax asset to be utilised.

12. Financial risk management objectives and policies

The Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk and foreign currency risk. The policies and procedures for the managing of these risks are:

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Company's exposure to credit risk arises primarily from cash at bank and on hand and other receivables.

Financial assets that are neither past due nor impaired

Other receivables that are neither past due nor impaired are creditworthy debtors. Cash and cash equivalents are placed with reputable financial institutions.

Finance assets that are either past due or impaired

There are no financial assets that are either past due or impaired.

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Company currently obtains funding mainly from its shareholders.

12. Financial risk management objectives and policies (cont'd)

(c) Foreign currency risk

The Company has transactional currency exposure arising from purchases that are denominated in a currency other than its functional currency that is RMB. The foreign currencies in which the Company's transactions are denominated are mainly in Hong Kong Dollar (HKD) and United States Dollar (USD).

The Company also holds cash at bank and on hand denominated in foreign currencies for working capital purposes. Details of such foreign currency balances are set out in Note 5.

13. Fair value of financial instruments

Fair value is defined as the amount at which the financial instrument could be exchanged in a current transaction between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale.

Financial instruments whose carrying amount approximates fair value

The carrying amounts of cash and cash equivalents and other receivables reasonably approximate their fair values because these are mostly short-term in nature.

Financial instruments carried at other than fair value

The amounts due to shareholders amounting to $958,010 (2006: $178,872, 2005: Nil) has no repayment terms and the shareholders have agreed in principle to waive the amounts by way of capitalisation as equity when the sale and purchase agreement with Tri-M (Note 15(b)) has been duly approved and reaches completion. Accordingly, the fair value of the amounts due to shareholders is not determinable, and the amounts due to shareholders is carried at cost as the timing of the future cash flow arising from the amounts due to shareholders cannot be estimated reliably.

14. Capital management

In view of the Company's present level and nature of operations which were mainly centred on securing the Production Sharing Contract with CNPC, the Company has relied on its shareholders for the necessary funding. With the pending acquisition of the Company by Tri-M after due approval from the Singapore Exchange Securities Trading Limited and shareholders of Tri-M, the Company's capital management policies will be aligned with those of the Tri-M Group.

Kingworld Resources Limited

Notes to the Financial Statements – for the periods from 18 October 2005 (date of incorporation) to 31 December 2005, 1 January 2006 to 31 December 2006 and 1 January 2007 to 31 December 2007

15. Events occurring after the balance sheet date

(a) Production Sharing Contract ("PSC")

The PSC with CNPC relating to the joint development and production of hydrocarbon resources in Fuyu 1 Block was duly approved by the Ministry of Commerce of the PRC on 10 January 2008, and the Contract Implementation Commencement Date was set as 1 February 2008. The evaluation period under the PSC has commenced on 1 February 2008.

Following the execution of the PSC on 1 February 2008, the Company registered a Branch in the PRC to carry out the business of petroleum development and production. The Branch's registered office and principal place of business are located at Room 1-202, Building 14, Youtian Jinghu Block, Jiangnan Songjiang Street, Songyuan City, Jilin Province, PRC and 2nd Floor, No. 688 Xiamen Street, Jingjikaifaqu, 138000 Songyuan City, Jilin Province, PRC, respectively. The Branch has obtained its business licence which is valid for a period of 30 years from 4 March 2008.

(b) Sale and Purchase Agreement

On 18 August 2008, the shareholders of the Company entered into a sale and purchase agreement with Tri-M to dispose of their entire interest in the Company. At the date of this report, the sale has yet to be completed.

16. Commitments

Under the Production Sharing Contract, the Company is obligated to incur minimum evaluation expenditures of US$20 million for 2 consecutive years of the evaluation phase. This commitment is secured by a banker guarantee issued by the Hongkong and Shanghai Banking Corporation Limited.

17. Authorisation of financial statements

The financial statements for the financial period ended 31 December 2005 and financial years ended 31 December 2006 and 31 December 2007 were authorised for issue in accordance with a resolution of the Directors on 29 April 2009.

Kingworld Resources Limited

Audited Financial Statements
31 December 2008

Kingworld Resources Limited

General Information

Directors

Tan Sri Datuk Tiong Hiew King
Tiong Kiu King

Registered Office

Pasea Estate, Road Town
Tortola, British Virgin Islands

Bankers

The Hongkong and Shanghai Banking Corporation Limited
Bank of China

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Kingworld Resources Limited

Statement by Directors

We, Tan Sri Datuk Tiong Hiew King and Tiong Kiu King, being the Directors of Kingworld Resources Limited (the "Company"), do hereby state that, in the opinion of the Directors:

(i) the accompanying balance sheet, income statement, statement of changes in equity and cash flow statement together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Company as at 31 December 2008 and the results of the business, changes in equity and cash flow of the Company for the year ended on that date; and

(ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due, as its shareholders have undertaken to provide adequate funds for the Company to meet their liabilities as and when they fall due and not to recall amounts owing to them.

Tan Sri Datuk Tiong Hiew King
Director

Tiong Kiu King
Director

29 April 2009

Kingworld Resources Limited

Independent Auditors' Report

To the Board of Directors of Kingworld Resources Limited
Pasea Estate, Road Town,
Tortola,
British Virgin Islands.

We have audited the accompanying financial statements of Kingworld Resources Limited (the "Company") which comprise the balance sheet as at 31 December 2008, the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

The accompanying financial statements are the responsibility of the Company's management who have prepared them for the inclusion in the Circular to the shareholders of Tri-M Technologies (S) Limited to facilitate their approval for the acquisition of the Company. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Singapore Standards on Auditing applicable to the audit of financial statements. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves examining, on a test basis evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2008 and of the results of its operations, its changes in equity and cash flow for the year then ended in accordance with Singapore Financial Reporting Standards.

Without qualifying our opinion, we draw attention to Note 2.2 to the financial statements. The Company incurred a net loss of $1,279,443 during the year ended 31 December 2008 and as at that date, the Company's current liabilities exceeded its current assets by $5,633,156. These factors indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The ability of the Company to continue as a going concern is dependent on (a) its shareholders' undertaking to provide continuing financial support and not to recall the amounts owing to them until all creditors have been paid if the sale and purchase agreement as disclosed in Note 2.1 to the financial statements does not receive the necessary regulatory and shareholders' approval and could not reach completion and (b) the generation of positive cash flow from the Company's business upon the successful completion of the evaluation and production phase relating to hydrocarbon resources in Fuyu 1 Block and/or (c) the completion of the proposed acquisition by Tri-M Technologies (S) Limited.
.
If the Company is unable to continue in operational existence for the foreseeable future, the Company may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheet. In addition, the Company may have to reclassify certain non-current assets and non-current liabilities as current assets and current liabilities. No such adjustments have been made to these financial statements.

These financial statements and our report are solely for the purpose set out in the second paragraph above and are not to be used for any other purpose or to be distributed to any other parties.

ERNST & YOUNG LLP
Public Accountants and
Certified Public Accountants
Singapore
29 April 2009

Kingworld Resources Limited

Balance Sheet as at 31 December 2008

	Note	2008 $	2007 $
Non-Current Assets			
Plant and equipment	4	1,294,544	
Evaluation assets	5	10,486,204	–
		11,780,748	–
Current Assets			
Inventories		293,452	–
Prepaid operating expenses		134,525	–
Other receivables	6	65,567	–
Cash and cash equivalents	7	493,822	15,434
		987,366	15,434
Current Liabilities			
Other payables	8	6,403,007	–
Accrued operating expenses		217,515	–
		6,620,522	–
Net Current (Liabilities)/Assets		(5,633,156)	15,434
Net Assets		6,147,592	15,434
Equity attributable to equity holders of the Company			
Share capital	9	83,765	83,765
Reserves	10	(2,302,294)	(1,026,341)
		(2,218,529)	(942,576)
Amounts due to shareholders	11	8,366,121	958,010
Total Equity		6,147,592	15,434

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Kingworld Resources Limited

Income Statement for the year ended 31 December 2008

	Note	2008 $	2007 $
Administrative expenses	12	(970,100)	(402,816)
Other operating expenses	13	(354,834)	(371,345)
Loss from operations		**(1,324,934)**	**(774,161)**
Other income		45,491	25
Loss before taxation		**(1,279,443)**	**(774,136)**
Taxation	14	–	–
Loss for the year		**(1,279,443)**	**(774,136)**

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Kingworld Resources Limited

Statement of Changes in Equity for the year ended 31 December 2008

	Attributable to equity holders of the Company				
	Share capital $	**Foreign currency translation reserve** $	**Accumulated losses** $	**Total reserves** $	**Total equity** $
At 1 January 2007	83,765	(3,379)	(255,758)	(259,137)	(175,372)
Net effect of exchange differences recognised directly in equity	–	6,932	–	6,932	6,932
Loss for the year	–	–	(774,136)	(774,136)	(774,136)
Total recognised income and expenses for the year	–	6,932	(774,136)	(767,204)	(767,204)
At 31 December 2007 and 1 January 2008	83,765	3,553	(1,029,894)	(1,026,341)	(942,576)
Net effect of exchange differences recognised directly in equity	–	3,490	–	3,490	3,490
Loss for the year	–	–	(1,279,443)	(1,279,443)	(1,279,443)
Total recognised income and expenses for the year	–	3,490	(1,279,443)	(1,275,953)	(1,275,953)
At 31 December 2008	83,765	7,043	(2,309,337)	(2,302,294)	(2,218,529)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Kingworld Resources Limited

Cash Flow Statement for the year ended 31 December 2008

	2008 $	2007 $
Cash flow from operating activities		
Loss before taxation	(1,279,443)	(774,136)
Adjustments for:		
Depreciation of plant and equipment	99,246	–
Interest income	(4)	(25)
Operating cash flow before working capital changes	(1,180,201)	(774,161)
Increase in other receivables and prepayments	(198,720)	–
Increase in inventories	(293,452)	–
Increase in other payables and accruals	3,663,692	–
Increase in amount due from a related party	(1,372)	–
Cash flow generated from/(used in) operations	1,989,947	(774,161)
Interest received	4	25
Net cash flow generated from/(used in) operating activities	1,989,951	(774,136)
Cash flow from investing activities		
Purchase of plant and equipment	(1,397,423)	–
Additions to evaluation assets	(10,486,204)	–
Net cash flows used in investing activities	(11,883,627)	–
Cash flow from financing activities		
Increase in amounts due to shareholders	7,408,111	779,138
Increase in amount due to a related party	2,956,830	–
Net cash flow generated from financing activities	10,364,941	779,138
Net increase in cash and cash equivalents	471,265	5,002
Effect of exchange rate changes on cash and cash equivalents	7,123	6,932
Cash and cash equivalents at beginning of year	15,434	3,500
Cash and cash equivalents at end of year (Note 7)	493,822	15,434

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Kingworld Resources Limited

Notes to the Financial Statements – 31 December 2008

1. Corporate information

Kingworld Resources Limited (the "Company") is a limited liability company incorporated in the British Virgin Islands on 18 October 2005.

The registered office of the Company is located at Pasea Estate, Road Town, Tortola, British Virgin Islands. The principal place of business of the Company is located at Room 2901, 29 Floor, Tower 2, Lippo Centre, 89 Queensway, Hong Kong.

The principal activities of the Company are development and production of petroleum resources. The Company has not commenced commercial operations.

Related parties include companies owned directly or indirectly by the shareholders of the Company.

Operations

On 12 November 2007, the Company entered into a petroleum production sharing contract ("PSC") with China National Petroleum Corporation ("CNPC") relating to the joint development and production of hydrocarbon resources in Fuyu 1 Block which was duly approved by the Ministry of Commerce of the People's Republic of China ("PRC") on 10 January 2008. The salient terms of the PSC are set out below. Following the execution of the PSC on 1 February 2008, the Company registered a Branch in the PRC to carry on the business of petroleum development and production. The Branch's registered office and principal place of business is located at Room 1-202, Building 14, Youtian Jinghu Block, Jiangnan Songjiang Street, Songyuan City, Jilin Province, PRC and 2nd Floor, No. 688, Xiamen Street, Jingjikaifaqu, 138000 Songyuan City, Jilin Province, PRC, respectively. The Branch has obtained its business licence which is valid for a period of 30 years from 4 March 2008.

Production Sharing Contract ("PSC")

The Company has no ownership interest in the PSC assets nor in the related oil and gas reserves, but rather has the right to operate the assets and receive production and/or revenue from the sale of oil and gas in accordance with the PSC.

Duration of the PSC

The PSC will be implemented in 3 phases, namely an evaluation period, a development period and a production period.

Evaluation Period. The evaluation period is 3 years commencing after the Ministry of Commerce of the PRC has approved the PSC ("Contract Implementation Commencement Date") and will end when the Company receives the approval of the relevant PRC authorities for the Overall Development Programme. The evaluation period under the PSC has commenced on 1 February 2008.

The Company may apply for an extension of the evaluation period if it needs more time to complete the preparation and application for approval of the Overall Development Programme, subject to (a) the approval of CNPC; and (b) the approval of Ministry of Commerce, PRC. The Company shall bear all costs required for the evaluation operations during the evaluation period.

1. Corporate information (cont'd)

Production Sharing Contract (PSC) (cont'd)

Duration of the PSC (cont'd)

Development Period. The development period shall commence after obtaining the government approval for the Overall Development Programme for the development of the said oilfield, and will end on the date of the completion of the development operations. The Company shall bear all the development costs during the development period.

Production Period. The production period of the oilfield(s) shall be twenty consecutive production years from the commencement of commercial production of the relevant oilfield. The date of commencement of the production of oil from any oilfield in Fuyu 1 Block is subject to the approval of the production plan from CNPC and the total amount of oil extracted from such oilfield reaching a cumulative total of 40,000 metric tonnes. Of the 40,000 metric tonnes of oil, the Company is entitled to 30%.

The total duration of the PSC shall not exceed 30 years from the approval of the Ministry of Commerce for the PSC. Under the terms of the PSC, the Company shall not conduct any exploration activities in the PSC area. Any new petroleum resources which are discovered by the Company in the course of the evaluation operations or the development operations shall fall within the scope of the PSC.

Financing and Cost Recovery

Funds required for the production operations including the evaluation costs, development costs and production costs shall be raised by the Company. The operation costs incurred shall be paid by CNPC and the Company in accordance with the parties' proportion of the shared oil. However, CNPC's portion of operating costs shall be advanced by the Company and recovered by the Company from the production of crude oil.

Application of proceeds from crude oil production

Under the terms of the PSC, the Contractor, which is the Company, pays 100% of evaluation costs, development costs and 49% of the operating costs, which it recovers according to a mechanism of "cost recovery oil" and "investment recovery oil" as described in the contract. Remaining oil after cost recovery is "shared oil", which is apportioned between CNPC 51% and the Company 49%. The joint venture entity will deduct all applicable taxes and royalty that might apply in PRC from the production in kind or in cash as they are applicable. The Company's "shared oil" is subject to payment of all other corporate income tax that may be applicable in the PRC.

Pricing of the crude oil

The price of the various grades of crude oil will be determined in US$ per metric tonne as a free onboard (FOB) price at the point of delivery of the crude oil, whether within or outside the PSC area. The selling price of the crude oil produced shall be made with reference to the prevailing price in arm's length transactions or similar quality crude oil on the main world oil markets and the adjustment in such price shall be made in accordance with such determinants as the quality of the crude oil, the terms of delivery, transportation, payment and other terms. The crude oil price will be determined once every calendar quarter.

Operator

The Company shall act as the operator for the production works within the PSC area and the production period. After the full recovery of the development costs actually incurred, CNPC shall, at any time, have the right to take over the production operations by giving written notice to the Company.

2. Summary of significant accounting policies

2.1 Basis of preparation

On 18 August 2008, the shareholders of the Company entered into a sale and purchase agreement with Tri-M Technologies (S) Limited ("Tri-M") to dispose of their entire interest in the Company. At the date of this report, the disposal has yet to be completed. The financial statements are prepared for the purpose of Tri-M's acquisition of the Company and will form part of the Company's letter to shareholders of Tri-M. The letter will be included in the Circular to the shareholders of Tri-M to facilitate their approval for the acquisition. As the financial statements are prepared for such purpose and to seek Tri-M's shareholders' approval, they are presented in Singapore dollars (SGD or $).

The financial statements of the Company have been prepared in accordance with Singapore Financial Reporting Standards (FRS) and are prepared under the historical cost basis except as disclosed in the accounting policies below.

The Company's activities in PRC involving the Production Sharing Contract are conducted jointly with CNPC. The Company's financial statements for year ended 31 December 2008 reflect 100% of the PSC activities during the year because the Company has 100% share of the PSC's assets and liabilities as all expenditure in the evaluation phase is to be borne by the Company but shall be recovered later from the resulting crude oil production.

2.2 Fundamental accounting concept

The Company incurred a net loss of $1,279,443 (2007: $774,136) during the year ended 31 December 2008 and as at that date, the Company's current liabilities exceeded its current assets by $5,633,156 (2007: the Company's current assets exceeded its current liabilities by $15,434). These factors indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

The shareholders of the Company have agreed in principle to waive the amounts owing to them by way of capitalisation as equity when the sale and purchase agreement disclosed in Note 2.1 above has been duly approved and reaches completion (Note 11). In addition, the shareholders have continued to provide advances to the Company and arranged a banker guarantee to secured the Company's commitment to incur a minimum evaluation expenditure of US$20 million under the Production Sharing Contract (Note 18). Accordingly, the directors of the Company are of the view that the use of the going concern assumption is appropriate for the preparation of the financial statements of the Company.

The ability of the Company to continue as a going concern is dependent on (a) its shareholders' undertaking to provide continuing financial support and not to recall the amounts owing to them until all creditors have been paid if the sale and purchase agreement as disclosed in Note 2.1 to the financial statements does not receive the necessary regulatory and shareholders' approval and could not reach completion and (b) the generation of positive cash flow from the Company's business upon the successful completion of the evaluation and production phase relating to hydrocarbon resources in Fuyu 1 Block and/or (c) the completion of the proposed acquisition by Tri-M Technologies (S) Limited.

If the Company is unable to continue in operational existence for the foreseeable future, the Company may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheet. In addition, the Company may have to reclassify certain non-current assets and non-current liabilities as current assets and current liabilities. No such adjustments have been made to these financial statements.

2. Summary of significant accounting policies (cont'd)

2.3 Future changes in accounting policies

The Company has not adopted the following FRS and INT FRS that have been issued but not yet effective:

		Effective for annual period beginning on or after
FRS 1	: Presentation of Financial Statements – Revised Presentation	1 January 2009
FRS 1	: Presentation of Financial Statements – Amendments relating to Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009
FRS 23	: Borrowing Costs	1 January 2009
FRS 27	: Consolidated and Separate Financial Statements – Amendments relating to Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2009
FRS 32	: Financial Instruments: Presentation – Amendments relating to Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009
FRS 39	: Financial Instruments: Recognition and Measurement – Amendments relating to Eligible Hedged Items	1 July 2009
FRS 101	: First-time Adoption of Financial Reporting Standards – Amendments relating to Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2009
FRS 102	: Share-based Payments – Amendments relating to Vesting Conditions and Cancellation	1 January 2009
FRS 107	: Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments	1 January 2009
FRS 108	: Operating Segments	1 January 2009
INT FRS 113	: Customer Loyalty Programmes	1 July 2008
INT FRS 116	: Hedges of a Net Investment in a Foreign Operation	1 October 2008
INT FRS 117	: Distribution of Non-cash Assets to Owners	1 July 2009
INT FRS 118	: Transfers of Assets for customers	1 July 2009

The Directors expect that the adoption of the above pronouncements will have no material impact on the financial statements in the period of initial application, except for FRS 1 as indicated below.

FRS 1, Presentation of Financial Instruments – Revised Presentation

The revised FRS 1 requires owner and non-owner changes in equity to be presented separately. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line item. In addition, the revised standard introduces the statement of comprehensive income: it presents all items of income and expenses recognised in profit or loss, together with all other items of recognised income and expenses, either in one single statement, or in two linked statements. The Company is currently evaluating the format to adopt.

2. Summary of significant accounting policies (cont'd)

2.4 Foreign currencies

(a) Functional currency

Management has determined the currency of the primary economic environment in which the Company operates, i.e. the functional currency, to be Renminbi (RMB). Major operating expenses are primarily influenced by fluctuations in RMB.

(b) Foreign currency transactions

Transactions in foreign currencies are measured in the functional currency of the Company and are recorded on initial recognition in the functional currency at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Exchange differences arising from the settlement of monetary items or on translating monetary items at the balance sheet date are recognised in the income statement.

(c) Foreign currency translation

The results and financial positions of the Company and its foreign operations are translated to the presentation currency using the following procedures:

(i) assets and liabilities for each balance sheet presented (i.e. including comparatives) are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement (i.e. including comparatives) are translated at the average exchange rates for the relevant period; and

(iii) all resulting exchange differences shall be recognised as foreign currency translation reserve.

2.5 Evaluation assets

Evaluation expenditure, including directly related overhead costs, is capitalised to the extent that:

- The PSC continues in effect; and
- Such costs are expected to be recouped through successful development of the PSC area, or alternatively by sale of the PSC; or
- Evaluation activities in the PSC area have not, at the financial statement date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves; and active and significant operations in, or in relation to, the PSC area are continuing.

Capitalised evaluation expenditures are not amortised or depreciated until commencement of commercial production.

2. Summary of significant accounting policies (cont'd)

2.5 Evaluation assets (cont'd)

All such carried costs are subject to technical, commercial and management review as well as review for impairment at least once a year to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off. When proved reserves of oil are determined and development is sanctioned, the relevant expenditure is transferred to oil and gas properties after impairment is assessed and any resulting impairment loss is recognised.

2.6 Plant and equipment

All items of plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Subsequent to recognition, plant, machinery and equipment, furniture, fittings and office equipment, and motor vehicles are measured at cost less accumulated depreciation and accumulated impairment losses.

Depreciation of an asset begins when it is available for use and is computed on a straight-line basis over the estimated useful life of the asset as follows:

Plant, machinery and equipment	-	5 years
Furniture, fittings and office equipment	-	5 years
Motor vehicles	-	5 years

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of plant and equipment.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the income statement in the year the asset is derecognised.

2.7 Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflow that are largely independent of those from other assets or groups of assets. In assessing value in use, the estimated future cash flow expected to be generated by the asset are discounted to their present value. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount.

Impairment losses are recognised in the income statement.

2. Summary of significant accounting policies (cont'd)

2.7 Impairment of non-financial assets (cont'd)

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment be recognised previously. Such reversal is recognised in the income statement unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2.8 Financial assets

Financial assets are recognised on the balance sheet when, and only when, the Company becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

A financial asset is derecognised where the contractual right to receive cash flow from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that has been recognised directly in equity is recognised in the income statement.

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e. the date that the Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, and through the amortisation process.

2.9 Impairment of financial assets

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset is impaired.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flow discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in the income statement.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

2. Summary of significant accounting policies (cont'd)

2.9 Impairment of financial assets (cont'd)

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Company considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in the income statement.

2.10 Cash and bank equivalents

Cash and bank equivalents comprise cash and bank balances.

2.11 Inventories

Inventories, which comprise supplies used in drilling of wells, are stated at lower of cost or net realisable value. Cost is determined by the first-in first-out method and comprises direct purchase costs.

2.12 Financial liabilities

Financial liabilities are recognised on the balance sheet when, and only when, the Company becomes a party to the contractual provisions of the financial instrument.

Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transaction costs.

Subsequent to initial recognition, all financial liabilities are measured at amortised cost using the effective interest method.

A financial liability is derecognised when the obligation under the liability is extinguished. For financial liabilities other than derivatives, gains and losses are recognised in the income statement when the liabilities are derecognised or impaired, and through the amortisation process.

2.13 Employee benefits

Defined contribution plans

The Company's branch office registered and operating in the PRC is required to provide certain staff pension benefits to its employees under existing PRC regulations. Pension contributions are provided at rates stipulated by PRC regulations and are contributed to a pension fund managed by government agencies, which are responsible for administering these amounts for the Branch's employees. The above contributions are recognised as an expense in the period in which the related service is performed.

2. Summary of significant accounting policies (cont'd)

2.14 Leases

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

2.15 Revenue

Interest income

Interest income is recognised using the effective interest method.

2.16 Income taxes

(a) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Current taxes are recognised in the income statement except that tax relating to items recognised directly in equity is recognised directly in equity.

(b) Deferred tax

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets and liabilities are recognised for all temporary differences, except:

- Where the deferred tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences and carry-forward of unused tax credits and unused tax losses, if it is not probable that taxable profit will be available against which the deductible temporary differences and carry-forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred taxes are recognised in the income statement except that deferred tax relating to items recognised directly in equity is recognised directly in equity.

3. Significant accounting judgements and estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

3.1 Judgements made in applying accounting policies

In the process of applying the Company's accounting policies, management has made the following judgements, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

(a) Evaluation assets

Evaluation expenditure are capitalised in accordance with the accounting policy in Note 2.5. Initial capitalisation of costs is based on management's judgement that technological and economical feasibility is confirmed and the expenditure is recoverable. The carrying amount of evaluation expenditure capitalised as at 31 December 2008 was $10,486,204 (2007: Nil).

(b) Income taxes

Significant judgement is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. There were no tax payables as at 31 December 2007 and 2008.

3.2 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) Impairment of non-financial assets

The Company assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

When value in use calculations are undertaken, management must estimate the expected future cash flow from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flow.

3. Significant accounting judgements and estimates (cont'd)

3.2 Key sources of estimation uncertainty (cont'd)

(b) Impairment of loans and receivables

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Company considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flow is estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Company's loans and receivables at the balance sheet date is disclosed in Note 6 to the financial statements.

4. Plant and equipment

	Plant, machinery and equipment $	**Furniture, fittings and office equipment** $	**Motor Vehicles** $	**Total** $
Cost:				
Additions during the year and balance at 31 December 2008	669,215	77,845	650,363	1,397,423
Accumulated depreciation:				
Depreciation for the year	22,333	6,640	70,273	99,246
Net exchange differences	817	243	2,573	3,633
As at 31 December 2008	23,150	6,883	72,846	102,879
Net carrying amount:				
As at 31 December 2007	–	–	–	–
As at 31 December 2008	646,065	70,962	577,517	1,294,544

Kingworld Resources Limited

Notes to the Financial Statements – 31 December 2008

5. Evaluation assets

	2008 $	2007 $
Cost:		
Additions during the year and balance at 31 December 2008	10,486,204	–
These comprised:-		
Drilling of oil wells and laying of pipelines	3,750,126	–
2D seismic costs	2,187,780	–
Staff costs	1,291,925	–
Directly related operation costs	2,354,971	–
Directly related overhead costs	805,900	–
Services provided by third party specialists	95,502	–
	10,486,204	–

6. Other receivables

	2008 $	2007 $
Other receivables	64,195	–
Amount due from a related party (non-trade)	1,372	–
	65,567	–
Add:		
Cash and cash equivalents (Note 7)	493,822	15,434
Total loans and receivables	559,389	15,434

Amount due from a related party (non-trade) is unsecured, non-interest bearing and is repayable on demand.

Other receivables are denominated in the following currencies:

	2008 $	2007 $
Hong Kong Dollar	1,372	–
Renmimbi	64,195	–
	65,567	–

7. Cash and cash equivalents

	2008 $	2007 $
Cash and bank balances	493,822	15,434

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Cash at bank and on hand are denominated in the following currencies:

	2008 $	2007 $
United States Dollar	14,947	1,352
Hong Kong Dollar	75,616	14,082
Renminbi	403,259	–
	493,822	15,434

8. Other payables

	2008 $	2007 $
Other payables:		
Payables relating to evaluation expenditure	3,446,177	–
Amount due to a related party	2,956,830	–
Total other payables	6,403,007	–
Add:		
Accrued operating expenses	217,515	–
Total financial liabilities carried at amortised cost	6,620,522	–

Payables relating to evaluation expenditure are non-interest bearing and are normally settled on 60-day terms.

Amount due to a related party is non-trade in nature, unsecured, non-interest bearing and is repayable on demand.

Kingworld Resources Limited

Notes to the Financial Statements – 31 December 2008

9. Share capital

	2008 and 2007	
	No. of shares	$
Ordinary shares at US$1 each Issued and fully paid		
At beginning and end of year	50,000	83,765

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction.

10. Reserves

	2008 $	2007 $
Accumulated losses	(2,309,337)	(1,029,894)
Foreign currency translation reserve	7,043	3,553
	(2,302,294)	(1,026,341)

Foreign currency translation reserve

The foreign currency translation reserve records exchange differences arising from the translation of the financial statements whose functional currency is different from that of the presentation currency.

	2008 $	2007 $
At beginning	3,553	(3,379)
Net effect of exchange differences arising from translation of financial statements	3,490	6,932
At end	7,043	3,553

11. Amounts due to shareholders

The balances are unsecured, non-interest bearing, non-trade and are considered to be quasi-equity. The shareholders have agreed in principle to waive the amounts by way of capitalisation as equity when the sale and purchase agreement with Tri-M (Note 2.1) has been duly approved and reaches completion.

12. Administrative expenses

The following items have been included in administrative expenses:

	2008 $	2007 $
Depreciation of plant and equipment	99,246	–
Signature fee	567,306	–
Staff costs:		
- Salaries and wages	161,387	194,182
- Staff welfare	–	4,864

13. Other operating expenses

	2008 $	2007 $
Bank charges	(354,834)	(371,345)

14. Taxation

No current income tax has been provided because the Company is in a loss position. Deferred tax assets have not been recognised because management is uncertain as to when it would be probable that future taxable profit will allow the deferred tax asset to be utilised.

15. Financial risk management objectives and policies

The Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk and foreign currency risk. The policies and procedures for the managing of these risks are:

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Company's exposure to credit risk arises primarily from cash at bank and on hand and other receivables.

Financial assets that are neither past due nor impaired

Other receivables that are neither past due nor impaired are creditworthy debtors. Cash and cash equivalents are placed with reputable financial institutions.

Finance assets that are either past due or impaired

There are no financial assets that are either past due or impaired.

15. Financial risk management objectives and policies (cont'd)

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Company currently obtains funding mainly from its shareholders.

The table below summarises the maturity profile of the Company's financial liabilities at the balance sheet date based on contractual undiscounted payments.

	2008		2007	
	1 year or less $	Total $	1 year or less $	Total $
Payables relating to evaluation expenditure	3,446,177	3,446,177	–	–
Amount due to a related party	2,956,830	2,956,830	–	–
Accrued operating expenses	217,515	217,515	–	–
	6,620,522	6,620,522	–	–

(c) Foreign currency risk

The Company has transactional currency exposure arising from purchases that are denominated in a currency other than its functional currency that is RMB. The foreign currencies in which the Company's transactions are denominated are mainly in Hong Kong Dollar (HKD) and United States Dollar (USD).

The Company also holds cash at bank and on hand denominated in foreign currencies for working capital purposes. Details of such foreign currency balances are set out in Note 7.

16. Fair value of financial instruments

Fair value is defined as the amount at which the financial instrument could be exchanged in a current transaction between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale.

Financial instruments whose carrying amount approximates fair value

The carrying amounts of cash and cash equivalents, other receivables, other payables and accrued operating expenses reasonably approximate their fair values because these are mostly short-term in nature.

16. Fair value of financial instruments (cont'd)

Financial instruments carried at other than fair value

The amounts due to shareholders amounting to $8,366,121 (2007: $958,010) has no repayment terms and the shareholders have agreed in principle to waive the amounts by way of capitalisation as equity when the sale and purchase agreement with Tri-M (Note 2.1) has been duly approved and reaches completion. Accordingly, the fair value of the amounts due to shareholders is not determinable, and the amounts due to shareholders are carried at cost as the timing of the future cash flow arising from the amounts due to shareholders cannot be estimated reliably.

17. Capital management

In view of the Company's present level and nature of operations which were mainly centred on securing the Production Sharing Contract with CNPC, the Company has relied on its shareholders for the necessary funding. With the pending acquisition of the Company by Tri-M after due approval from the Singapore Exchange Securities Trading Limited and the shareholders of Tri-M, the Company's capital management policies will be aligned with those of the group of Tri-M.

18. Commitments

Under the Production Sharing Contract, the Company is obligated to incur minimum evaluation expenditure of US$20 million for 2 consecutive years of the evaluation phase. This commitment is secured by a banker guarantee issued by the Hongkong and Shanghai Banking Corporation Limited.

19. Authorisation of financial statements

The financial statements for the financial year ended 31 December 2008 were authorised for issue with a resolution of the Directors on 29 April 2009.

APPENDIX B
LETTER FROM PRIMEPARTNERS CORPORATE FINANCE PTE. LTD. TO THE INDEPENDENT DIRECTORS

PRIMEPARTNERS CORPORATE FINANCE PTE. LTD.
1 Raffles Place #30-03
OUB Centre
Singapore 048616

15 July 2009

To: The Independent Directors of
Tri-M Technologies (S) Limited

Dear Sirs,

INDEPENDENT FINANCIAL ADVICE IN RESPECT OF THE PROPOSED ACQUISITION OF KINGWORLD RESOURCES LIMITED BY TRI-M TECHNOLOGIES (S) LIMITED (THE "COMPANY") FROM TAN SRI DATUK SIR TIONG HIEW KING AND TIONG KIU KING (THE "VENDORS") AS AN INTERESTED PERSON TRANSACTION (THE "PROPOSED ACQUISITION")

1. INTRODUCTION

On 14 March 2008, it was announced that the Company had entered into a non-binding memorandum of understanding to indicate its intention to acquire all the ordinary shares of Kingworld Resources Limited ("**KRL**") from the Vendors.

On 18 August 2008, the Board announced that the Company had on 18 August 2008 executed a sale and purchase agreement (the "**SPA**") relating to the Proposed Acquisition of 50,000 ordinary shares representing 100% of the total issued shares in the capital of KRL by the Company from the Vendors for the purchase consideration of S$203.00 million. The purchase consideration will be satisfied by the payment of a cash consideration of S$23.00 million and the issue of 180.00 million consideration shares at the Issue Price to the Vendors in proportion to their ownership in the Sale Shares.

On 27 April 2009, the Board further announced that the Company had on 27 April 2009 entered into a supplemental agreement (the "**Supplemental Agreement**") to amend and vary the terms of the SPA, *inter alia*, as follows:

(a) Amendment of the purchase consideration from S$203.00 million to S$110.00 million (the "**Purchase Consideration**"), to be satisfied by the Company in the following manner:

  (i) the payment of a cash consideration of S$20.00 million; and

  (ii) the issue of 112.50 million consideration shares (the "**Consideration Shares**") at the issue price of S$0.80 for each Consideration Share; and

(b) Extension of the timeline for the fulfilment of the conditions precedent provided in the SPA from 6 months to 15 months from the date of the SPA; and

(c) Amendment of the amount of shareholders' loan from S$6,972,659 as at 30 June 2008 to S$8,366,121 as at 31 December 2008.

Due to the continuing operations of KRL at Fuyu 1 Block while the Company seeks shareholders approval for the Proposed Acquisition, the Vendors have continued to fund the working capital needs of KRL through the provision of shareholders' loan. The Shareholders' Loan provided in the SPA has been amended from "S$6,972,659 as at 30 June 2008" to "S$8,366,121 as at 31 December 2008" to reflect the actual amounts owing to the Vendors as at 31 December 2008.

KRL is a company incorporated in the British Virgin Islands and has an issued and paid-up capital of US$50,000 comprising 50,000 ordinary shares of par value of US$1.00 each. Together with its branch company in the PRC, Kingworld Resources Limited, China branch company, KRL is principally engaged in the business of development and production of petroleum resources.

On 12 November 2007, China National Petroleum Corporation ("**CNPC**") signed the Petroleum Contract (as defined in the Circular) with KRL in relation to the joint development and production of hydrocarbon resources at the Fuyu 1 Block, with crude oil being its end product (the "**KRL Project**"). The total area covered by the Petroleum Contract is approximately 254.9 square kilometres ("**sq km**").

Currently, KRL is only engaged in the development and production of crude oil from the Fuyu 1 Block, and its interest and entitlement to the crude oil to be produced from the Fuyu 1 Block pursuant to the Petroleum Contract is the underlying asset of KRL as at the Latest Practicable Date.

The Vendors are Tan Sri Datuk Sir Tiong Hiew King and Tiong Kiu King, who are considered Interested Persons within the definition of the Listing Manual. Please refer to Section 2.9 of the Circular for more details of their relationship. Accordingly, the Proposed Acquisition is an Interested Person Transaction as defined in Chapter 9 of the Listing Manual.

Under Chapter 9 of the Listing Manual, where a listed issuer proposes to enter into a transaction with an Interested Person, an immediate announcement and the approval of the listed issuer's shareholders are required in respect of the transaction if such transaction is equal to or exceeds 5% of the latest audited net tangible assets (the "**NTA**") of the listed group.

Based on the latest audited consolidated financial statements for the Group for FY2008, the Group recorded a net tangible liability (the "**NTL**") of S$11.34 million as at 31 December 2008. The Purchase Consideration of S$110.00 million has exceeded 5% of the latest audited consolidated NTA of the Group as at 31 December 2008. Accordingly, the Proposed Acquisition would be considered an Interested Person Transaction that requires the approval of Shareholders under Rule 906 of the Listing Manual.

PrimePartners Corporate Finance Pte. Ltd. ("**PPCF**") has been appointed by the Company as the independent financial adviser to advise the Independent Directors on the financial terms of the Proposed Acquisition. This letter sets out, *inter alia*, our opinion and evaluation of the financial terms of the Proposed Acquisition, and will form part of the circular to be dated 15 July 2009 (the "**Circular**") to be issued by the Company to the Shareholders.

Unless otherwise defined or the context otherwise requires, all terms defined in the Circular shall have the same meaning herein.

2. TERMS OF REFERENCE

We have been appointed to advise the Independent Directors on the financial terms of the Proposed Acquisition and to provide an opinion on whether the financial terms of the Proposed Acquisition are on normal commercial terms and are not prejudicial to the interests of the Company and its Independent Shareholders.

We were neither a party to the negotiations entered into by the Company and in relation to the Proposed Acquisition nor were we involved in the deliberations leading up to the decision on the part of the Directors to enter into the Proposed Acquisition. We have confined our evaluation to the financial terms of the Proposed Acquisition and have not taken into account the commercial risks or commercial merits of the Proposed Acquisition.

Our terms of reference do not require us to evaluate or comment on the rationale for, or the strategic or long-term merits of the Proposed Acquisition or on the future prospects of the Company or the Group or the method and terms by which the Proposed Acquisition is made or any other alternative methods by which the Proposed Acquisition may be made. Such evaluations and comments remain the sole responsibility of the Directors, although we may draw upon their views or make such comments in respect thereof (to the extent deemed necessary or appropriate by us) in arriving at our opinion as set out in this letter.

We were also not requested or authorised to solicit, and we have not solicited, any indications of interest from any third party with respect to the Proposed Acquisition. We are therefore not addressing the relative merits of the Proposed Acquisition as compared to any alternative acqusitions that may be available to the Company in the future.

In the course of our evaluation of the financial terms of the Proposed Acquisition, we have relied on, and assumed without independent verification, the accuracy and completeness of published information relating to the Company. We have also relied on information provided and representations made by the Directors, the Company's solicitors and auditors. We have not independently verified such information or any representation or assurance made by them, whether written or verbal, and accordingly cannot and do not make any representation or warranty, expressed or implied, in respect of, and do not accept any responsibility for, the accuracy, completeness or adequacy of such information, representation or assurance. We have nevertheless made such enquiries and exercised our judgment as we deemed necessary and have found no reason to doubt the reliability of the information.

We have relied upon the assurances of the Directors that, upon making all reasonable inquiries and to the best of their respective knowledge, information and belief, all material information in connection with the Proposed Acquisition and the Company has been disclosed to us, that such information is true, complete and accurate in all material respects and that there is no other information or fact, the omission of which would cause any information disclosed to us or the facts of or in relation to the Company stated in the Circular to be inaccurate, incomplete or misleading in any material respect. The Directors jointly and severally accept responsibility accordingly.

For the purposes of assessing the financial terms of the Proposed Acquisition and reaching our conclusions thereon, we have not relied upon any financial projections or forecasts in respect of the Company or the Group save for the economic evaluation report (the "**Economic Evaluation Report**") prepared by Gaffney, Cline & Associates (Consultants) Pte Ltd ("**GCA**") wherein GCA had provided an economic evaluation of the Fuyu 1 Block based on certain assumptions, financial projections and forecasts. We will not be required to express, and we do not express, any view on the growth prospects and earnings potential of the Company or the Group in connection with our opinion in this letter.

Save for the Economic Evaluation Report prepared by GCA, we have not made any independent evaluation or appraisal of the assets and liabilities (including, without limitation, investments) of the Company or the Group and we have not been furnished with any such independent evaluation or appraisal.

Our opinion as set out in this letter is based upon market, economic, industry, monetary and other conditions in effect on, and the information provided to us as of, the Latest Practicable Date. Such conditions may change significantly over a relatively short period of time. We assume no responsibility to update, revise or reaffirm our opinion in light of any subsequent development after the Latest Practicable Date that may affect our opinion contained herein. Independent Shareholders should further take note of any announcements relevant to their consideration of the Proposed Acquisition which may be released by the Company after the Latest Practicable Date.

In rendering our opinion, we did not have regard to the specific investment objectives, financial situation, tax status, risk profiles or unique needs and constraints of any individual Shareholder. As each Shareholder would have different investment objectives and profiles, we would advise the Independent Directors to recommend that any individual Shareholder who may require specific advice in relation to his investment objectives or portfolio should consult his stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

The Company has been separately advised by its own advisers in the preparation of the Circular (other than our letter set out in the Circular). Accordingly, we take no responsibility for and express no views, express or implied, on the contents of the Circular (other than our letter set out in the Circular).

Our opinion in respect of the Proposed Acquisition, as set out in section 8 of this letter, should be considered in the context of the entirety of this letter and the Circular.

3. PRINCIPAL TERMS OF THE PROPOSED ACQUISITION

3.1 Purchase Consideration

The Purchase Consideration of S$110.00 million shall be settled by the Company to the Vendors in the following manner:

(a) the payment of an aggregate sum of S$20.00 million to the Vendors by way of cashier's order or in any other form to be agreed by the parties;

(b) the issue of an aggregate of 112.50 million Consideration Shares at the Issue Price of S$0.80, to be issued by the Company to the Vendors in settlement of the balance S$90.00 million of the Purchase Consideration; and

(c) in accordance with the table as set out below on Completion.

Name	Entitlement in Cash	Entitlement to Consideration Shares (rounded to the nearest 1000 shares)
Tan Sri Datuk Sir Tiong Hiew King	S$10.00 million	56.25 million
Tiong Kiu King	S$10.00 million	56.25 million
TOTAL	S$20.00 million	112.50 million

The Purchase Consideration was arrived at on a willing-buyer-willing-seller basis, after taking into account the following factors:

(a) KRL's business potential, in view of the Petroleum Contract;

(b) the technical report (the "**Technical Report**"), which stated GCA's professional estimates on the volumes of the hydrocarbon resources at the Fuyu 1 Block; and

(c) the Economic Evaluation Report prepared by GCA which provided a range of Expected Monetary Values (the "**EMV**", collectively, the "**EMVs**") for the Contingent Resources in the Fuyu 1 Block.

The Technical Report and Economic Evaluation Report are both issued by GCA, further details of which are disclosed in Sections 2.11 and 2.12 of the Circular respectively. GCA was appointed by the Company for the purpose of conducting an independent technical review on the volumes and the EMV range of the Contingent Resources of the Fuyu 1 Block. GCA is an independent international energy technical advisor specialising in petroleum reservoir evaluation and economic analysis. The EMV of the Contingent Resources of the Fuyu 1 Block is dependent on the volumes of such hydrocarbon resources estimated by GCA in the Technical Report according to the methodology and assumptions stated therein.

The audited book value and net tangible asset value attributable to holders of the 50,000 Sale Shares, i.e. the Vendors, is approximately S$6.15 million as at 31 December 2008, after taking into account the capitalisation of S$8.366 million loans owing by KRL to the Vendors. As the Sale Shares are not listed on any stock exchange, there is no open market value.

Subject to the limitations and assumptions set out in the Economic Evaluation Report, GCA is of the opinion that based on its prior experience of fields in the same region of China, as at 31 December 2008, the EMV for the Fuyu 1 Block is between US$160.00 million to US$230.00 million. GCA believes that its methodology of evaluating the Fuyu 1 Block is reasonable due to the following reasons:

- regional geology is known and reasonably well understood;
- the technology being evaluated for the produced crude oil is known to work in China and other regions of the world, and is under evaluation for the reservoirs in the Fuyu 1 Block;
- skilled manpower is readily available for hire locally;
- produced crude oil is being sold at world market prices adjusted for crude quality and location; and
- GCA has assessed the Production Sharing Contract (the "**PSC**") that governs field operations and the sharing of revenues and costs.

Please refer to the Economic Evaluation Report set out in Appendix D of the Circular for further details.

3.2 Funding requirement for the KRL Project at the Fuyu 1 Block

On 12 November 2007, KRL entered into the Petroleum Contract with CNPC for the joint development and production of hydrocarbon resources in the Fuyu 1 Block with crude oil being its end product. Please refer to paragraph 3.2 of Appendix A of the Circular for the description of KRL's right to develop, produce and sell crude oil produced from the Fuyu 1 Block.

Exploration activities were conducted on the Fuyu 1 Block in 1984 with the discovery of oil. Notwithstanding the discovery of oil, the oilfield in the Fuyu 1 Block was not developed as it contains heavy crude oil, and due to the oil reservoir's low permeability and other factors discussed in Section 2.10 of the Circular.

Under the Petroleum Contract, KRL is granted the right to develop and produce crude oil from the Fuyu 1 Block, but is not allowed to conduct any exploration activities in the Fuyu 1 Block. The exploration permit in the Fuyu 1 Block is currently owned by Petrochina Company Limited. The Petroleum Contract is to be implemented in 3 phases namely evaluation period, development period and production period. Please refer to paragraph 3.2 of Appendix A for further discussion of these 3 phases.

KRL is currently at its evaluation phase of the crude oil production project at the Fuyu 1 Block. Please refer to Paragraph 3.2, Appendix A of the Circular for more information on the evaluation period, development period and production period provided in the Petroleum Contract. KRL intends to identify and select efficient and effective methods to produce crude oil from the oilfields in the Contract Area before progressing to the development phase and then the production phase where commercial production of crude oil will take place.

Generally, KRL will be entitled to 30% of the crude oil from wells drilled by KRL prior to the commercial production of crude oil. Please refer to Paragraph 3.2, Appendix A of the Circular for more information regarding the application of proceeds from crude oil production under the Petroleum Contract. Although such entitlement will generate certain revenue for KRL prior to the commercial production of crude oil, such revenue will not be sufficient to cover the investment costs for capital expenditure and operating costs required by KRL for the evaluation phase and development phase. Hence, KRL is unlikely to generate any positive cash flow from its operations until after the commercial production of crude oil located at the Fuyu 1 Block. Please refer to the relevant risk factors in Section 11 of the Circular for further discussion.

After completion of the Proposed Acquisition, the Company will have to fund the costs and expenses required for the different phases of the crude oil production project at the Fuyu 1 Block. However, the Company does not expect the Purchase Consideration plus all other outlay to be incurred by the Group in relation to the development and production of crude oil under the Petroleum Contract prior to KRL achieving profitability in relation to its operations at the Fuyu 1 Block to exceed the aggregate sum of approximately S$136.4 million based on the information currently available and prevailing market conditions, barring unforeseen circumstances. The Company intends to obtain such funding from new equity issue, debt instruments and/or external bank borrowings, as appropriate.

In this regard, such “outlay” includes all sums payable by the Company to fund the operations of KRL or the crude oil production project at the Fuyu 1 Block, all loans and debt financing obtained from banks, financial institutions or any other person or company (including the Vendors) by the Company or KRL to fund the operations of KRL or the crude oil production project at the Fuyu 1 Block, after the Company’s completion of its acquisition of KRL, together with any guarantee, or similar financial obligations incurred by the Company, KRL or any of the Company’s subsidiaries to fund the operations of KRL or the crude oil production project at the Fuyu 1 Block, after the Company’s completion of its acquisition of KRL.

In the event that KRL requires additional funds for the crude oil production project exceeding the aforesaid sum of S$136.4 million in aggregate by a significant amount, KRL intends to raise such additional funds through the issue of new shares, convertible securities or other forms of equity-linked instruments in KRL to any third party or the Vendors, as appropriate. In such event, the Company will comply with all applicable requirements under the Listing Manual, and all other laws and regulations in connection of the issue of new securities or instruments in KRL.

Taking into account the estimated: (a) net revenue of KRL according to its net entitlement under the Petroleum Contract, (b) capital expenditure, (c) operating expenditure in relation to the crude oil production project at the Fuyu 1 Block (see Appendix II of the Economic Evaluation Report for the Cashflow Model Outputs For ELT and Economic Analysis), the Company does not expect the

Purchase Consideration, plus all other outlay to be incurred by the Group in relation to the development and production of crude oil under the Petroleum Contract prior to KRL achieving profitability in relation to its operations at the Fuyu 1 Block, to exceed the aggregate sum of approximately S$136.4 million based on the information currently available and prevailing market conditions, barring unforeseen circumstances.

After completion of the Proposed Acquisition, the Company will provide a quarterly status update through announcements via the SGXNET to cover:

(i) any material changes to the Contingent Resources or reserves (including the reasons for such change); and

(ii) material development of activities undertaken by KRL at the evaluation phase, development phase and production phase of the crude oil production project at the Fuyu 1 Block, together with a summary of the material expenditure incurred on those activities for the quarter.

3.3 Terms of the Sale and Purchase Agreement

(a) Completion

Completion shall take place on such date to be specified by the Company in a written notice given to the Vendors at least fourteen (14) Business Days prior to the specified completion date which shall be no later than two weeks after the conditions precedent set out in the SPA are either fulfilled to the satisfaction of the Company or waived by the Company at its discretion (the "**Completion Date**").

The Purchase Consideration shall be settled on Completion in the manner described in Section 2.1 of the Circular. Under the terms of the SPA, in the event that the Company is unable to procure the necessary funding to pay for the cash payment of S$20.00 million on the Completion Date due to whatsoever reason, the Company shall notify the Vendors at any time prior to the Completion Date to request for an extension of time for the said cash payment to such time when the Company has procured the necessary funding.

(b) Conditions Precedent

The Completion of the sale and purchase of the Sale Shares is conditional upon the following conditions precedent, *inter alia*:

(i) the Company being satisfied in its sole and absolute discretion with the results of its due diligence investigations (whether legal, financial, contractual, tax or otherwise) carried out in respect of KRL (and the PRC Branch), including but not limited to the affairs, business, assets, liabilities, operations, records, financial position, financial performance, tax liabilities, accounts, results and prospects of KRL (and the PRC Branch), in its sole and absolute discretion within four (4) weeks from the date of the SPA;

(ii) the approval in-principle of the SGX-ST for the listing and quotation of Consideration Shares upon their issue and allotment and all conditions set out in such approval have been compiled with;

(iii) all consents, approvals and authorisations of bankers, financial institutions, landlords of leases, relevant third parties, government or regulatory authorities which are necessary or desirable in connection with the transfer of the Sale Shares from the Vendors to the Company and the ownership by the Company of Sale Shares having been obtained (including waivers of pre-emption rights by existing shareholders of the KRL), and if subject to conditions, on such conditions acceptable to the Company, prior to the Completion Date;

(iv) the approval of the shareholders of the Company in an EGM (where necessary) being obtained for the transactions contemplated in the SPA upon the terms and conditions set out in the SPA, including, *inter alia*, the purchase of the Sale Shares as a major acquisition and an Interested Person Transaction and the issue of Consideration Shares and such other matters as are necessary in compliance with the relevant provisions of the Listing Manual;

(v) no material contract, lease, licence or other similar commercial arrangement would be terminated or adversely affected as a result of a change in ownership of the Sale Shares;

(vi) all representations, warranties and undertakings of the Vendors and the Company under the SPA being complied with, and being true, accurate and correct in all respects as at the Completion Date, as if repeated at Completion and at all times between the date hereof and Completion;

(vii) each of the parties having performed all of the covenants and agreements required to be performed or caused to be performed by it under the SPA on or before the Completion Date;

(viii) the Vendors or the Company not having received notice of any injunction or other order, directive or notice restraining or prohibiting the consummation of the transactions contemplated by the SPA, and there being no action seeking to restrain or prohibit the consummation thereof, or seeking damages in connection therewith, which is pending or any such injunction, other order or action which is threatened;

(ix) the business of KRL having been carried on in a satisfactory and ordinary manner and KRL not having disposed of any material assets or assumed or incurred any material liabilities including contingent liabilities (whether recorded or unrecorded) other than those in connection with its ordinary course of business in the period between 30 June 2008 up to the Completion Date;

(x) there has been no change in the shareholding or capital structure of KRL occurring on or before the Completion Date, save for capitalisation of loan;

(xi) there being no material adverse change (as mutually determined by the parties) in the prospects, operations, assets, business, profits or financial condition of KRL occurring on or before the Completion Date;

(xii) the delivery by the Vendors to the Company, on the date of the SPA, of the Disclosure Letter (if any) on such terms as are satisfactory to the Company;

(xiii) the loans or amounts of S$8,366,121 owing by KRL to the Vendors as at 31 December 2008 shall be capitalised on the Completion Date; and

(xiv) the Loans owing by the Company to Surreyvillle Pte Ltd ("**SPL**") as its controlling shareholder shall be capitalised on the Completion Date.

If any of the conditions precedent contained in the SPA (as amended and varied by the Supplemental Agreement) is not fulfilled or not waived by the Company, within 15 months from the date of the SPA, the SPA shall *ipso facto* cease and determine at the sole option of the Company, and none of the Parties (as defined in the Circular) shall have any claim against the others for costs, damages, compensation or otherwise except for antecedent breaches of the terms of the SPA.

3.4 Shareholders' Loan granted by the Vendors

On Completion Date, the loans or advances amounting to S$8,366,121 owing by KRL to the Vendors shall be capitalised into new ordinary shares in KRL, and the Company shall acquire the Sale Shares (which include any new shares of KRL issued pursuant to the said capitalisation) for the Purchase Consideration.

Pursuant to the terms of the SPA (as amended and varied by the Supplemental Agreement), the Vendors undertake to seek prior written consent from the Company in the event that they wish to extend further loans or advances to KRL for an aggregate sum exceeding S$1,000,000 more than the sum of S$8,366,121 which is required to be capitalised as aforesaid. In the event that any further loans or advances in addition to the loans to be capitalised are extended to KRL, such loans or advances shall be free of interest, and the Company agrees to procure KRL to repay these additional loans and advances at such time as the Company shall deem fit but not later than the period of one year after the Completion Date.

As at the Latest Practicable Date, the aggregate loans and amounts owing by KRL to the Vendors is S$8,366,121, which will be capitalised by the Vendors on Completion pursuant to the terms of the SPA (as amended and varied by the Supplemental Agreement).

3.5 The Issue Price of the Consideration Shares

The Issue Price of S$0.80 is determined with reference to the volume weighted average price of the Shares of S$1.00 traded on the SGX-ST on 23 April 2009, being the last market day preceding the date of the Supplemental Agreement during which trades were conducted. The Company effected a trading halt of its Shares from 9.00 a.m. on 24 April 2009.

3.6 Issue of Consideration Shares to Directors and/or Substantial Shareholders and their Associates

Rule 812(1) of the Listing Manual provides that an issue must not be placed to, *inter alia*, the issuer's directors and substantial shareholders and to the immediate family members of the directors and substantial shareholders. The Vendors, Tan Sri Datuk Sir Tiong Hiew King and Tiong Kiu King are persons within the restrictions of Rule 812(1). Please refer to Section 2.9 of the Circular for more details of their relationship. Accordingly, Shareholders' approval is sought for the allotment and issue of the Consideration Shares at the Issue Price to each of Tan Sri Datuk Sir Tiong Hiew King and Tiong Kiu King (or their nominees) respectively.

3.7 Service Agreement

No executive director is proposed to be appointed to the Company involving the entering of a service agreement with the Company in connection with the Proposed Acquisition.

3.8 Funding of the Purchase Consideration

S$90.00 million of the Purchase Consideration for the Proposed Acquisition will be satisfied through the issue of the Consideration Shares at S$0.80 each. In respect of the payment of the remaining cash consideration of S$20.00 million, the Company will evaluate and consider various financing alternatives, including but not limited to, new equity issue, debt instruments and/or external bank borrowings.

If the Company intends to issue new Shares through placement at any time before Completion, the Company will update the Shareholders accordingly through announcements.

3.9 Approval by the SGX-ST

The SGX-ST has on 3 July 2009 granted its in-principle approval for the listing and quotation of 112,500,000 Consideration Shares and 15,000,000 Debt Conversion Shares to be issued by the Company pursuant to the Proposed Acquisition and Proposed Debt Conversion respectively. The conditions imposed by the SGX-ST in its approval-in-principle are as follows:

(a) Compliance with the SGX-ST's continuing listing rules;

(b) Independent shareholders' approval being obtained for the Proposed Acquisition and the Proposed Debt Conversion; and

(c) Until the crude oil production project at the Fuyu 1 Block, being the project currently undertaken by KRL achieves profitability, the Company will not participate in other greenfield projects.

The approval in-principle of the SGX-ST is not to be taken as an indication of the merits of the Proposed Acquisition, the Proposed Debt Conversion, the Consideration Shares, the Company and/or its subsidiaries.

4. INFORMATION RELATING TO KRL

4.1 Information on Fuyu 1 Block

Pursuant to the Petroleum Contract, KRL is only entitled to develop and produce petroleum from oilfields located within the Fuyu 1 Block. The Fuyu 1 Block covers a total area of approximately 254.9 sq km which can be reached by land transport. The Fuyu 1 Block comprises discovered heavy oilfields which are currently undergoing appraisal for development of crude oil.

The Fuyu 1 Block is located south-east of the Fuyu oilfield in the Jilin province of northern PRC. The present topography of the area around the Fuyu 1 Block is dominated by a nearly featureless flatland and gentle undulating hills dissected by rivers and lakes. The elevation is between 140m to 160m above sea level. This area forms part of the Songliao basin, a large intracratonic rift basin which is one of the largest petroleum producing regions in the PRC, and in which major oilfields such as Daqing, Fuyu and XinMin are also situated. The Fuyu 1 Block is located south-east of the central basinal part of the Songliao basin, at the western edge of the southern uplift. The location of the Fuyu 1 Block is indicated in the location plan set out in Section 2 of the Circular.

The Fuyu 1 Block was explored by CNPC in 1984. A few of the wells had oil shows, but the oil did not flow to the surface during conventional well test. A particular well, Fuyu 119 well, was further tested in August 1984 using the thermal recovery Huff 'n' Puff method. During the test, the initial production was 8.7 tonnes of oil per day which declined over 35 days, providing an average of 2.38 tonnes per day over the well test period. The crude oil produced was heavy oil.

After the discovery of oil, the Fuyu 1 Block was not developed due to the heavy oil reservoir's low permeability, multiple thin reservoir sand layers, low oil saturation and the oilfield being compartmentalised by shale barriers and faults. However, with advancements in technology, high oil prices, the relatively low cost of developing the shallow oil reservoir and the low cost of oil production in the PRC, the development and production of oil at the Fuyu 1 Block could potentially become more commercially viable, as compared to about 20 years ago.

KRL has recently drilled 31 appraisal wells in different parts of the Fuyu 1 Block including areas beyond the committed evaluation program. 29 of these wells have oil pay (which shows evidence of oil deposits) based on log results and 6 of the wells have tested oil with the Huff 'n' Puff method. 3 wells have been put on trial production over the last few months. 2 step-out appraisal wells targeted distinct fluvial objects, based on surface features, have proved to be dry. The results from these recent appraisal wells are encouraging and appear to support the results from the concept study performed by the China University of Petroleum, Beijing referred to in Section 2.1 of the Technical Report.

4.2 The Technical Report

GCA's Technical Report has provided an estimate of the volumes of hydrocarbon resources in the Fuyu 1 Block based on the methodology and assumptions stated therein. The resulting Contingent Resources net entitlement attributable to KRL are 0.906 million tonnes for the 1C case, 5.144 million tonnes for 2C case and 3C of 14.435 million tonnes (see table below). In this regard, the 1C, 2C and 3C cases are derived from the Low, Best and High cases of the Contingent Resources and net entitlement of KRL thereof in the Fuyu 1 Block, which represents the range of uncertainty which are considered by GCA as associated with the crude oil production project in the Fuyu 1 Block.

Summary of Gross and Net Entitlement Contingent Resources as of 31 December 2008

	1C[(2)]	2C[(2)]	3C[(2)]
Gross Contingent Resources (MMtonnes)	**1.859**	**10.509**	**29.599**
Net Entitlement Attributable to KRL (MMtonnes)	**0.906**	**5.144**	**14.435**

Notes:

(1) Contingent Resources have been estimated in accordance with the Society of Petroleum Engineers (the "**SPE**") Petroleum Resources Management System (PRMS) published in March 2007.

(2) According to the Reserves and Resources definitions by the SPE, Contingent Resources refers to "*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 classified as 1C refers to resources with the lowest level of uncertainty, while 3C refers to resources with the highest level of uncertainty.

(3) Gross Contingent Resources are 100% of the Contingent Resources attributable to the licence.

(4) Contingent Resources are estimated on the basis of GCA's forecasts of production, costs and price profiles for the development and operation of the Fuyu 1 Block.

(5) Net Entitlement Contingent Resources reflect net economic entitlement attributable to KRL converted to equivalent tonnes, and reflect the costs associated with the development concept.

(6) Evaluation based on GCA's 1Q 2009 SPE Forecast Price Scenario.

GCA has reported that as of 31 December 2008, the Fuyu 1 Block has a gross STOIIP range from a low estimate of 11.42 million tonnes to a high estimate of 97.05 million tonnes. This range is based on contributions from Sand Groups II to IV:

Fuyu 1 Block Oil Initially in-place (STOIIP) as of 31 December 2008 (100% Gross Licence Volumes)

	Low	Best	High
STOIIP (MMstb)	**75.63**	**272.19**	**642.50**
STOIIP (MMtonnes)	**11.42**	**41.12**	**97.05**

Note:

(1) Sand Group I referred to in Section 1.7 of the Technical Report is not included because the volumes are very small and the sands are located away from core development area.

GCA assumes a range of Recovery Factors ("**RF**") from 16.7% to 30.5% for Huff 'n' Puff and steam flooding oil production methods. The hydrocarbon resources available in the Fuyu 1 Block are classified in the Technical Report as Contingent Resources. Until the technical process for oil production has been selected and established, and the Overall Development Plan is approved by the PRC governmental authorities, the hydrocarbon resources located in the oilfields can only be termed as Contingent Resources rather than reserves, in accordance with the latest guidelines issued by the SPE and other bodies in March 2007.

Some of the other key information contained in the Technical Report are as follows:

(a) The Technical Report of GCA has summarised the working interest and concession licence details of the Petroleum Contract as at 31 December 2008 in Table 1 of the Technical Report.

(b) The drilling schedule for the different phases of field development as of 31 December 2008 based on the 3 Contingent Resources cases, *i.e.* 1C, 2C and 3C, is found in Table 8 of the Technical Report.

(c) The gross production forecasts as of 31 December 2008 indicating the total volumes of crude oil to be produced for the 1C, 2C and 3C cases before GCA applies the economic limit test to carry out the economic analysis referred to in Section 2.12 of the Circular, are found in Table 9 of the Technical Report.

(d) The gross field annual capital expenditure assumptions and forecasts are found in Table 11 and Table 12 of the Technical Report respectively.

(e) The gross field annual operating expenditure forecasts are found in Table 13 of the Technical Report.

Please refer to GCA's Technical Report provided in Appendix C of the Circular for further details.

5. INFORMATION ON THE VENDORS

We note that the information on the Vendors is based on information and representations provided by the Vendors.

(a) **Tan Sri Datuk Sir Tiong Hiew King** is a shareholder and director of KRL. He is the Executive Chairman and Founder of Rimbunan Hijau Group, a large diversified conglomerate in Malaysia with extensive business around the world. He is also the Executive Chairman of the Company and Media Chinese International Limited, a company listed on the main board of the Stock Exchange of Hong Kong Ltd and Bursa Securities Bhd.

Tan Sri Datuk Sir Tiong has extensive experience in a number of industries, including timber, plantations, media and publishing, oil and gas, mining, fishery, information technology, and manufacturing etc. He has established businesses in a number of countries in the world, including Malaysia, Singapore, Hong Kong, Mainland China, the United States, Canada, Russia, Australia, New Zealand, Papua New Guinea, Cambodia, Gabon, Equatorial Guinea, British Guyana and elsewhere.

(b) **Tiong Kiu King** is a shareholder and director of KRL. He is also the Executive Chairman of One Media Group Limited, a company listed on the main board of the Stock Exchange of Hong Kong, and an Executive Director of Media Chinese International Limited, a company listed on the main board of the Stock Exchange of Hong Kong Ltd and Bursa Securities Bhd.

Tiong Kiu King obtained a Diploma in Civil Engineering from Tak Ming College in Hong Kong in 1964. He has extensive business in many industries, including timbers, media and publishing, property development, plantation, as well as investment projects in Mainland China. He is a brother of Tan Sri Datuk Sir Tiong Hiew King.

The entire issued share capital of KRL is wholly owned by Tan Sri Datuk Sir Tiong Hiew King and Tiong Kiu King; both are brothers of Dato' Sri Dr. Tiong Ik King, an executive director of the Company. Tan Sri Datuk Sir Tiong Hiew King is also the Company's executive chairman and together with Dato' Sri Dr. Tiong Ik King, they hold the entire issued share capital of Surreyville Pte Ltd, which is the controlling shareholder of the Company.

6. RATIONALE FOR THE PROPOSED ACQUISITION

The Directors are of the view that the Proposed Acquisition is in the interests of the Company and Shareholders for the following reasons:

As previously announced, the Company has been facing a difficult operating environment due to the competitive economic climate in the electronics industry. Nonetheless, the Group aims to reduce losses in its existing electronics business following the closure and consolidation of manufacturing plants in the PRC and by tightening cost controls, and to improve its financial situation so as to enable the removal of the Company from the Watch List of the SGX-ST, on which the Company was placed on 5 March 2008. The Company has been exploring suitable investment opportunities with growth potential that can add value to the Company and bring benefits to the Shareholders.

The Company intends to diversify from its electronics business into the buoyant oil and gas sector through the Proposed Acquisition. The new business from the Proposed Acquisition will create a new revenue stream for the Company and is anticipated to improve the financial condition of the Company. The Company is of the view that the Proposed Acquisition offers an attractive investment platform for the Company to venture into the buoyant oil and gas sector. The Proposed Acquisition to be made by the Company will be its first step in making its foray into the oil and gas industry. The Company intends to explore other suitable opportunities in the oil and gas sector, such as undertaking other oil and gas resources projects should the opportunity arises in the future.

7. EVALUATION OF THE FINANCIAL TERMS OF THE PROPOSED ACQUISITION

In our evaluation of the financial terms of the Proposed Acquisition, we have considered the following factors which we consider to be pertinent and to have a significant bearing on our assessment:

(a) Basis used to arrive at the Purchase Consideration;

(b) Economic Evaluation Report by GCA;

(c) Valuation ratios of selected companies broadly comparable to KRL;

(d) Reference transactions;

(e) Basis used to arrive at the Issue Price of the Consideration Shares;

(f) Financial Effects of the Proposed Acquisition; and

(g) Other relevant considerations.

7.1 Basis used to arrive at the Purchase Consideration

We note that the Purchase Consideration for KRL was arrived at on a willing buyer and willing seller basis after taking into account KRL's business potential in view of the Petroleum Contract, the Economic Evaluation Report which was performed for the purpose of the Proposed Acquisition and the Technical Report.

7.2 Economic Evaluation Report by GCA

GCA had based its economic analysis of the Fuyu 1 Block on the Contingent Resources assessed in its Technical Report in order to determine the EMV range of the Contingent Resources for each of the 1C, 2C and 3C cases. We note that GCA has calculated the unrisked net present values (the "**NPV**", collectively, the "**NPVs**") taking into account the production and cost profiles associated with the aforesaid three Contingent Resources cases, and arrived at a range of EMVs in accordance with industry accepted standards.

We note that KRL had advised GCA that a discount of US$16.80/bbl (the "**Fuyu Crude Discount**") to Brent is applicable for the sale of the Fuyu 1 Block crude, and GCA had maintained the aforesaid price difference in its economic model.

We further note that the Economic Evaluation Report is not intended to give an assessment of the fair market value of KRL, but is meant to provide a range of EMVs associated with the Fuyu 1 Block that will enable the Company and its shareholders to determine whether or not the consideration paid for KRL is reasonable.

GCA has, based on the analysis and the methodology described in Section 3 of the Economic Evaluation Report, arrived at a range of EMVs for Fuyu 1 Block associated with three different scenarios after the application of Swanson's Rule, as summarised below:

	EMV at 10% discount rate	**EMV at 12% discount rate**	**EMV at 15% discount rate**
Scenario 1	US$287.3 million	US$229.3 million	US$165.4 million
Scenario 2	US$252.8 million	US$196.0 million	US$135.4 million
Scenario 3	US$202.6 million	US$158.2 million	US$109.6 million

Notes:

Scenario 1:
- Contingent Resources as at 31 December 2008 per the Technical Report;
- Post tax Nominal discount rates of 10%, 12% and 15%;
- 70% economic chance of success; and
- Economic environment, being the assumption of the prevailing oil prices at the relevant time, as described in Section 3 of the Economic Evaluation Report.

Scenario 2:
- Contingent Resources as at 31 December 2008 per the Technical Report **with field development delayed by 2 years**;
- Post tax Nominal discount rates of 10%, 12% and 15%;
- 70% economic chance of success; and
- Economic environment, being the assumption of the prevailing oil prices at the relevant time, as described in Section 3 of the Economic Evaluation Report.

Scenario 3:
- Contingent Resources as at 31 December 2008 per Technical Report;
- Post tax Nominal discount rates of 10%, 12% and 15%;
- 70% economic chance of success; and
- Economic environment, being the assumption of the prevailing oil prices at the relevant time, as described in Section 3 of the Economic Evaluation Report, **based on latest brent strip available at 26th February 2009**.

GCA has suggested in Section 3 of the Economic Evaluation Report that, for a transaction effective 31st December 2008, the EMV range of US$160.00 million to US$230.00 million at 12% discount rate could be considered reasonable.

We note that the Purchase Consideration for KRL which amounts to S$110.00 million (or US$76.00 million based on exchange rates as at the Latest Practicable Date) had been negotiated on a willing buyer and willing seller basis. GCA had ascribed an EMV of between US$160.00 million to US$230.00 million in respect of the Fuyu 1 Block based on the variable assumptions and methodology as indicated in the GCA Economic Evaluation Report. We note that the Purchase Consideration had been negotiated based on the GCA Economic Evaluation Report and represents a significant range of discount of between 52.50% to 66.96% to the range of EMV of between US$160.00 million to US$230.00 million as ascribed in the GCA Economic Evaluation Report.

7.3 Valuation ratios of selected companies broadly comparable to KRL

(a) Discount rate applied by GCA in arriving at the range of EMV for the KRL Project

In arriving at the range of EMV for the Fuyu 1 Block of US$160.00 million to US$230.00 million as ascribed in the GCA Economic Evaluation Report and which GCA considered reasonable, we note that GCA had applied a Nominal discount rate of 12% (the "**Applied Discount Rate**") to the post-tax free cash flows from the sales of crude oil from FY2009 to FY2031 (the "**FCFs**") derived from the KRL Project. GCA's economic evaluation had considered Nominal discount rates of between 10% to 15%.

For purpose of comparison and as a reference, we have compared the Applied Discount Rate to the weighted average cost of capital (the "**WACC**") of selected companies listed on the Hong Kong Stock Exchange as at the Latest Practicable Date. The reference companies are primarily engaged in oil exploration and production businesses with operations in China and which we consider broadly comparable to the KRL Project ("**Reference Companies**"). Brief descriptions of the Reference Companies are set out below.

WACC reflects the return required by the providers of capital and it takes into account the cost of capital comprising both cost of equity and cost of debt and the proportion of equity and debt in the capital of the company and may be applied as a discount rate to the cash flows associated with a project.

We recognise that there is no company listed on the Hong Kong Stock Exchange or on any other stock exchange which we may consider to be identical to the Company in terms of, *inter alia*, geographical markets, composition of business activities, scale of business operations, risk profile, asset base, valuation methodologies adopted, accounting policies, track record, future prospects, market/industry size, political risk, competitive and regulatory environment, financial positions and other relevant criteria and that such businesses may have fundamentally different annual profitability objectives. The Independent Directors should note that any comparison made with respect to the Reference Companies merely serve as an illustrative market valuation of the KRL as at the Latest Practicable Date. In addition, Independent Directors should note that companies listed on different stock exchanges may be subject to different risk-reward expectations and trading conditions and any cross border valuation statistics will be subject to differing political, regulatory, market, investment, economic and currency conditions and as such may not be directly comparable to the Company.

Brief descriptions of the Reference Companies are as follows.

Name / Country of Exchange	Business Description	Market Capitalization (US$ 'millions) (1), (2)
CNPC Hong Kong Limited (中国(香港)石油)	CNPC Hong Kong Limited, through its subsidiaries, explores and produces crude oil and natural gas in China.	3,682.24
China Petroleum & Chemical Corporation (中国石化)	China Petroleum and Chemical Corporation (Sinopec) explores for and produces crude oil and natural gas in China. The Company also owns refineries that make petroleum and petrochemical products such as gasoline, diesel, jet fuel, kerosene, ethylene, synthetic fibers, synthetic rubber, synthetic resins, and chemical fertilizers. In addition, Sinopec trades petrochemical products.	121,915.90
PetroChina Company Limited (中国石油天然气)	PetroChina Company Limited explores, develops, and produces crude oil and natural gas. The Company also refines, transports, and distributes crude oil and petroleum products, produces and sells chemicals, and transmits, markets and sells natural gas.	366,659.56
CNOOC Limited (中国海洋石油)	CNOOC Limited, through its subsidiaries, explores, develops, produces, and sells crude oil and natural gas.	55,389.09

Source: Bloomberg

Notes:

(1) Amounts have been converted into US$ based on currency exchange rates provided by Bloomberg as at the Latest Practicable Date

(2) Market capitalisation figures for the Reference Companies are provided by Bloomberg as at the Latest Practicable Date.

Reference Companies	Market Capitalisation (US$ 'millions) [1], [2]	WACC [3] (%)
CNPC Hong Kong Limited (中国(香港)石油)	3,682.24	10.12
China Petroleum & Chemical Corporation (中国石化)	121,915.90	9.78
PetroChina Company Limited (中国石油天然气)	366,659.56	12.60
CNOOC Limited (中国海洋石油)	55,389.09	14.38
High		14.38
Low		9.78
Simple average WACC of the Reference Companies		11.72
Weighted average WACC of the Reference Companies		12.14

Source: Bloomberg

Notes:

(1) Amounts have been converted into US$ based on currency exchange rates provided by Bloomberg as at the Latest Practicable Date.

(2) Market capitalisation figures for the Reference Companies are as at the Latest Practicable Date.

(3) WACC figures for the Reference Companies as at the Latest Practicable Date.

Reference Companies	Market Capitalisation (US$ 'millions)	Discount rate [2] (%)
KRL	76.00 [1]	12.00

Notes:

(1) Based on Purchase Consideration and converted into US$ based on currency exchange rates as at the Latest Practicable Date.

(2) Based on the discount rate in the GCA Economic Evaluation Report.

For illustration purposes only, we have compared the Applied Discount Rate with the WACC of the Reference Companies, and noted that the Applied Discount Rate is within the WACC range of the Reference Companies of between 9.78% and 14.38%. The Applied Discount Rate is higher than the simple average WACC of the Reference Companies of 11.72% but is lower than the weighted average WACC of the Reference Companies 12.14%.

It is important to note that the Applied Discount Rate is a professional judgment based on GCA's experience and personal observation in respect of both the evaluation of the Fuyu 1 Block and industry standard discount rates. The range of discount rates considered by GCA in its economic evaluation of 10% to 15% is typical for the industry.

(b) Growth rates and terminal value

We note that the yearly growth rates of the FCFs for the period from FY2009 to FY2031 as stated in the Economic Evaluation Report, which range from a low of negative 28.5% to a high of 207.6% (the "**Growth Rates**") respectively, were based on, *inter alia*, certain information assumed by GCA in its evaluation and advised by the management of KRL in relation to the fiscal terms of the development and production of Fuyu 1 Block as set out below:

(i) Value added tax at 5% of production;

(ii) Rates of Royalty payable on production;

(iii) 2% annual increment of Brent crude prices from 2015 onwards;

(iv) 2% annual cost inflation increments from 2010 onwards;

(v) A discount of US$16.80/bbl to Brent is applicable for the sale of Fuyu 1 crude;

(vi) Prices for Fuyu 1 crude is escalated in line with the Brent crude, while maintaining the discount of US$16.80/bbl; and

(vii) Special Petroleum Revenue Tax (the "**SPRT**") as a cost recoverable item under the terms of the PSC.

We note that the above-stated assumptions were based on GCA's understanding and experience of the current fiscal regime (as advised by KRL) in the PRC and are accordingly, GCA's professional judgement.

For comparison purposes only, we set out in the table below the 3-year historical FCFs compounded annual growth rate (the "**CAGR**") of the Reference Companies including, the range, simple and weighted average thereof.

Reference Companies	**3 year Historical FCFs CAGR [1] (%)**
CNPC Hong Kong Limited (中国(香港)石油)	51.11
China Petroleum & Chemical Corporation (中国石化)	N.M. [3]
PetroChina Company Limited (中国石油天然气)	N.M. [3]
CNOOC Limited (中国海洋石油)	11.17
High [2]	51.11
Low [2]	11.17
Simple average 3 year Historical FCFs CAGR of the Reference Companies excluding the Excluded Companies [4], [5]	31.14
Weighted average 3 year Historical FCFs CAGR of the Reference Companies excluding the Excluded Companies [4], [6]	13.66

Source: Bloomberg

Notes:

(1) The three-year historical FCFs were calculated based on the FCFs of the respective Reference Companies for the latest three financial years.

(2) The range between the high and low figures of the three year historical FCF CAGR of the Reference Companies is defined as the "**Comparables FCF Growth Rate Range**".

(3) N.M means "Not Meaningful". The three-year historical FCFs CAGR of China Petroleum & Chemical Corporation (中国石化) and PetroChina Company Limited (中国石油天然气) are not meaningful as the FCF during the three-year period in 2008 were negative.

(4) China Petroleum & Chemical Corporation (中国石化) and PetroChina Company Limited (中国石油天然气) have been excluded as the aforementioned companies CAGR of FCFs for the past 3 historical year is not meaningful (the "**Excluded Companies**").

(5) Simple average 3 year Historical FCFs CAGR of the Reference Companies excluding the Excluded Companies is defined as the "**Simple 3-year average**".

(6) Weighted average 3 year Historical FCFs CAGR of the Reference Companies excluding the Excluded Companies is defined as the "**Weighted 3-year average**".

We determined the mean FCFs by applying the Swanson's Rule on each of the post-tax net cash flow in each of the preceding years as stated in Scenario 1 of the GCA Economic Evaluation Report (the "**Swanson's Rule FCFs**"), and compared the growth rate of the Swanson's Rule FCFs of the KRL Project with that of the Reference Companies.

Period	Growth Rate in FCFs of the KRL Project (%)	Remarks
FY2009 – FY2011	N.M. (1)	The KRL Project is in the Evaluation and Development Period where the expected recovery of Contingent Resources is expected to be low, resulting in negative FCFs for FY2009 – FY2011.
FY2012 – FY2013	207.6% (the "**1st Growth Rate**")	Higher than the Comparables FCF Growth Rate Range Higher than the Simple 3-year average Higher than the Weighted 3-year average
FY2013 – FY2014	52.5% (the "**2nd Growth Rate**")	Higher than the Comparables FCF Growth Rate Range Higher than the Simple 3-year average Higher than the Weighted 3-year average
FY2014 – FY2015	19.7% (the "3rd **Growth Rate**")	Within than the Comparables FCF Growth Rate Range Lower than the Simple 3-year average Higher than the Weighted 3-year average
FY2015 – FY2016	18.0% (the "**4th Growth Rate**")	Within the Comparables FCF Growth Rate Range Lower than the Simple 3-year average Higher than the Weighted 3-year average

Period	Growth Rate in FCFs of the KRL Project (%)	Remarks
FY2016 – FY2017	58.8% (the "**5th Growth Rate**")	Higher than the Comparables FCF Growth Rate Range
		Higher than the Simple 3-year average
		Higher than the Weighted 3-year average
FY2017 – FY2018	32.6% (the "**6th Growth Rate**")	Within the Comparables FCF Growth Rate Range
		Higher than the Simple 3-year average
		Higher than the Weighted 3-year average
FY2018 – FY2019	28.3% (the "**7th Growth Rate**")	Within the Comparables FCF Growth Rate Range
		Lower than the Simple 3-year average
		Higher than the Weighted 3-year average
FY2019 – FY2020	23.0% (the "**8th Growth Rate**")	Within the Comparables FCF Growth Rate Range
		Lower than the Simple 3-year average
		Higher than the Weighted 3-year average
FY2020 – FY2021	4.3% (the "**9th Growth Rate**")	Lower than the Comparables FCF Growth Rate Range
		Lower than the Simple 3-year average
		Lower than the Weighted 3-year average
FY2021 – FY2022	8.6% (the "**10th Growth Rate**")	Lower than the Comparables FCF Growth Rate Range
		Lower than the Simple 3-year average
		Lower than the Weighted 3-year average
FY2022 – FY2023	0.6% (the "**11th Growth Rate**")	Lower than the Comparables FCF Growth Rate Range
		Lower than the Simple 3-year average
		Lower than the Weighted 3-year average
FY2023 – FY2024	8.0% (the "**12th Growth Rate**")	Lower than the Comparables FCF Growth Rate Range
		Lower than the Simple 3-year average
		Lower than the Weighted 3-year average

Period	Growth Rate in FCFs of the KRL Project (%)	Remarks
FY2024 – FY2025	5.3% (the "**13th Growth Rate**")	Lower than the Comparables FCF Growth Rate Range
		Lower than the Simple 3-year average
		Lower than the Weighted 3-year average
FY2025 – FY2026	(8.1)% (the "**14th Growth Rate**")	Lower than the Comparables FCF Growth Rate Range
		Lower than the Simple 3-year average
		Lower than the Weighted 3-year average
FY2026 – FY2027	(18.3)% (the "**15th Growth Rate**")	Lower than the Comparables FCF Growth Rate Range
		Lower than the Simple 3-year average
		Lower than the Weighted 3-year average
FY2027 – FY2028	(20.6)% (the "**16th Growth Rate**")	Lower than the Comparables FCF Growth Rate Range
		Lower than the Simple 3-year average
		Lower than the Weighted 3-year average
FY2028 – FY2029	(28.5)% (the "**17th Growth Rate**")	Lower than the Comparables FCF Growth Rate Range
		Lower than the Simple 3-year average
		Lower than the Weighted 3-year average
FY2029 – FY2030	(23.3)% (the "**18th Growth Rate**")	Lower than the Comparables FCF Growth Rate Range
		Lower than the Simple 3-year average
		Lower than the Weighted 3-year average
FY2030 – FY2031	(25.5)% (the "**19th Growth Rate**")	Lower than the Comparables FCF Growth Rate Range
		Lower than the Simple 3-year average
		Lower than the Weighted 3-year average

Notes:

(1) N.M. refers to "Not Meaningful".

(i) Out of the 19 years of comparable period, the annual growth rate in FCFs of the KRL Project is higher than the Comparables FCF Growth Rate Range for 3 years, is within the Comparable FCF Growth Rate Range for 5 years and is lower than the Comparable FCF Growth Rate Range for 11 years.

(ii) Out of the 19 years of comparable period, the annual growth rate in FCFs of the KRL Project is higher than the Simple 3-year average for 4 years and is lower than the Simple 3-year average for 15 years.

(iii) Out of the 19 years of comparable period, the annual growth rate in FCFs of the KRL Project is higher than the Weighted 3-year average for 8 years and is lower than the Weighted 3-year average for 11 years.

7.4 Basis used to arrive at the Issue Price of the Consideration Shares

We note that the Purchase Consideration of S$110.00 million will be satisfied as to S$20.00 million by way of a cash payment (to be financed by the Company's internal cash resources and borrowings from banks and/or financial institutions) and as to the balance of the S$90.00 million which will be satisfied by the allotment and issue of approximately 112.50 million Consideration Shares at the Issue Price to be credited and fully paid-up upon issue.

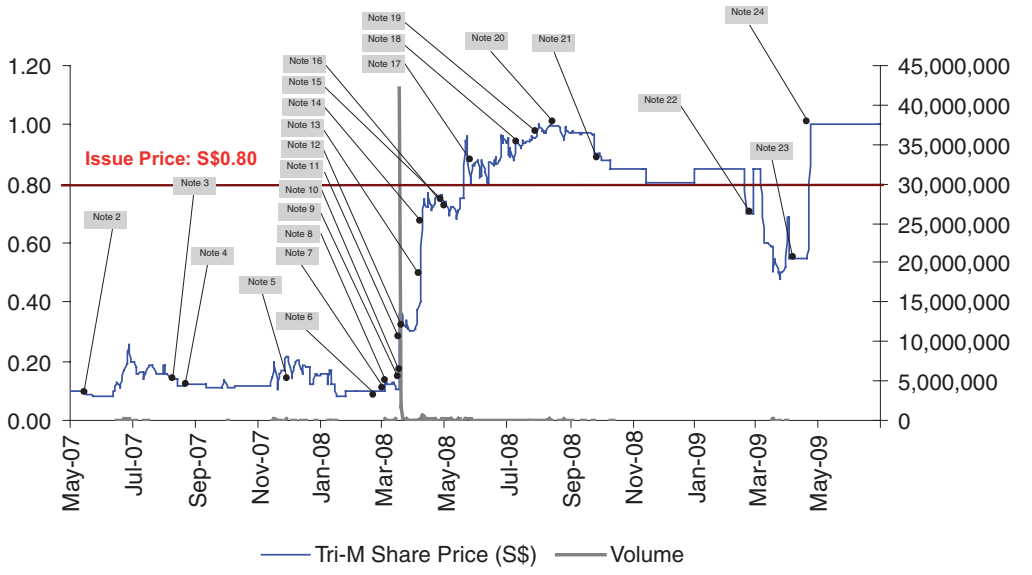
In assessing what may be regarded as a reasonable valuation for the purpose of assessing the Issue Price of the Consideration Shares, we have made references to the historical market quotation and trading activity of the Shares to give a comparative market valuation *vis a vis* the Issue Price.

(a) Market quotation and trading activity of the Shares

(i) Market price and volume

The trend of the daily last transacted prices of the Shares from 1 May 2007, being the trading day approximately two years prior to the announcement date of the revised terms of the Proposed Acquisition on 27 April 2009 (the "**Supplemental Agreement Announcement Date**"), to the Latest Practicable Date is set out below.

Daily Last Transacted Price and trading Volume



Source: Bloomberg

Notes:

(1) The average daily trading volume is approximately 264,847 and out of 531 market days from 1 May 2007 to the Latest Practicable Date, there were 216 trading days.

(2) On 16 May 2007, the Company announced that as a result of the merger of a key customer with another company, which is also an electronic contract manufacturer, the Group has experienced a significant decline in business from this customer in the past quarter. This decline in business would have an adverse impact on the Group's profitability in FY2007. The Board of Directors announces its realisation of the seriousness of the decline in contribution from this customer and its intention to endeavour to source and find new customers to minimise the loss arising from this occurrence.

(3) On 14 August 2007, the Company announced its half year financial statement and dividend announcement in respect of the 6 months ended 30 June 2007. For the first half of FY2007, the Group's revenue was S$9.12 million. Because of the change in the Group's strategy of switching from turnkey to consignment sales, it was not meaningful to compare revenue figures for the period ending 30 June 2007 with the period ending 30 June 2006. The revenue figures for period ending 30 June 2007 include a much larger proportion of manufacturing fees earned on consignment sales than those of the previous period. The Group also report an operating loss of S$3.48 million in line with the fall in revenues.

(4) On 23 August 2007, the Company responded to queries by the SGX on 21 August 2007 with regards to the Company's ability to meet short-term obligations as and when they fall due, explanation of the existence of cash and bank balances when there is a negative net cash in operating activities, explanation of the factors that caused the loss of major customers and whether the Company had been successful in obtaining new customers. The Company noted that the cash and bank balances was a timing issue and was meant to meet working capital requirements falling due immediately in early July, and was financed by its bank overdrafts facilities. The Company confirmed its ability to meet short-term obligations as and when they fall due, and reiterated that Surreyville Pte Ltd's, the Company's majority shareholder, commitment to the Company as stated in the Company's 2006 Annual Report. The Company explained that pursuant to its profit guidance announcement on 16 May 2007 on losing a key customer due to it being acquired by another contract manufacturer, another of its key customer suffered a business downturn of which the Company had proceeded with legal action to recover the outstanding amounts. The Company further noted that the Company had early success in getting new customers in July but the impact on sales increase had yet to be experienced.

(5) On 5 December 2007, the Company announced that the Group will be consolidating its manufacturing operations in Shenzhen into one location, as part of the Group's cost saving exercise and to optimise usage of the Group's manufacturing resources. The manufacturing facilities in Liao Keng Hanson Industrial Park Shiyan, Bao An Town will be consolidated and relocated to another manufacturing plant in Shan Li Lang Village Industrial, Buji Town. The total cost of this consolidation exercise, including retrenchment and relocation costs, write-offs and other related costs estimated at approximately S$3.70 million, was to be funded from internal resources and shareholder loans. As a result of this exercise, the net tangible assets and earning per share will be reduced by 1.49 cents for the financial year ending 31 December 2007.

(6) On 29 February 2008, the Company announced the full year financial statement and dividend announcement in respect of the 12 months ended 31 December 2007. For the full year of FY2007, the Group revenue was S$19.34 million. The PCBA services remained as the most important source of revenue for the Group. For the 12 months ended 31 December 2007, the Group incurred operating losses, before finance charges, of approximately S$11.00 million. This was due mainly to decline in revenue contribution and additional provisions made for depreciation resulting from a reassessment of the economic useful lives of certain plant and equipment. On the same day, the Company announced that the Company had recorded pre-tax losses for the three most recently completed consecutive financial years (based on the latest announced full year consolidated accounts, excluding exceptional or non-recurrent income and extraordinary items) and its market capitalisation as at 28 February 2008 is S$28,382,133.30. Pursuant to Rule 1311 of the Listing Manual of the SGX-ST, SGX-ST will place an issuer on a watch-list (the "**Watch List**") if it records pre-tax losses for the three most recently completed consecutive financial years (based on the latest announced full year consolidated accounts, excluding exceptional or non-recurrent income and extraordinary items) and an average daily market capitalisation of less than S$40 million over the last 120 market days on which trading was not suspended or halted. The Company highlighted to investors that pursuant to Practice Note 13.2 Paragraph 2.1, the SGX-ST conducts quarterly reviews (first market day of March, June, September and December) to identify issuers to be included on the Watch List.

(7) On 4 March 2008, the Company announced that the Company had been placed on the Watch List with effect from 5 March 2008. Trading in the Company's securities will continue unless a trading halt or suspension is effected. For the period in which the Company remains on the Watch List, it has to provide the market with a quarterly update on its financial situation, including its future direction, or other material development that may have significant impact on its financial position. The Company has within 24 months from 5 March 2008 to restore its financial health to either recording consolidated pre-tax profit for the latest consolidated financial year and has an average daily market capitalisation of S$40 million or more over the last 120 market days, on which trading was not halted or suspended for the full market day, or satisfying the Main board admission criteria as set up in Listing Rule 210 (2)(a) or 210 (2)(b). Failing which, the SGX-ST may either remove the Company from the Official List or suspend trading of the listed securities of the Company (without the agreement of the Company), with a view to removing the Company from the Official List.

(8) On 6 March 2008, the Company responded to queries by the SGX on 5 March 2008 with regards to the Company's FY2007 results released on 29 February 2008. The Company explained that the reasons for the 76.6% increase in "Impairment loss in value of property, plant and equipment" were due to several machines that were idle, not in good working conditions and book values of which falling below their recoverable values. The S$2.62 million "Impairment loss due to relocation of plant" was attributable to provisions for writing off the renovation costs as a result of the closure of one manufacturing plant in Shenzhen as set out in Note (5) above. The further provision for inventory obsolescence of S$0.46 million in FY2007 is mainly due to a specific provision for End of Life inventories which were not usable for other projects, despite the low inventory level of S$0.41 million in FY2007. The Company reiterated its ability to meet short term obligations as and when they fall due and the reasons for the loss of major customers, as set out in Note (4) above.

(9) On 14 March 2008, the Company announced that it had entered into a non-binding memorandum of understanding (the "**MOU**") to indicate its intention to acquire all the ordinary shares of Kingworld Resources Limited, a company incorporated in the British Virgin Islands which will engage in the business of exploration and production of crude oil, conditional upon and subject to the parties' agreement to the purchase consideration and manner of settlement, as well as other terms and conditions of sale.

(10) On 17 March 2008, the Company announced that it had entered into a placement agreement dated 17 March 2008 with HL Bank (the "**Placement Agent**") and Surreyville Pte Ltd (the "**Scrip Lender**") to place up to 40,000,000 new shares (the "**New Shares**") with the Placement Agent at the price of S$0.109 (the "**Offer Price**") for each New Share. The Offer Price represents a discount of approximately 9.47 per cent to the weighted average price of S$0.1204 for trades done for the shares on the SGX-ST on 12 March 2008 and 13 March 2008 up to the trading halt effected on 13 March 2008 at 10.20am. When completed, the Placement will increase the existing issued and paid up share capital of the Company from S$18,705,714.44 divided into 233,821,443 shares to S$23,065,714.44 divided into 273,821,443 shares, and the net tangible assets per share of the Group from 2.15 to 3.35 cents.

(11) On 19 March 2008, the Company announced that it had obtained approval in-principle from the SGX-ST for the listing and quotation of the Placement Shares as set out in Note (10) above.

(12) On 25 March 2008, the Company announced that it had completed the Placement. The New Shares will be issued and quoted on the SGX-ST with effect from 9a.m., 26 March 2008.

(13) On 8 April 2008, the Company announced the usage of S$654,000 from the net Placement proceeds of S$4,239,000, leaving a balance of S$3,585,000. Of the S$654,000 used, S$62,000 were used for expenses arising in connection with the proposed acquisition contemplated in the MOU as set out in Note (9) and S$592,000 were used for working capital purposes.

(14) On 11 April 2008, the Company's Annual Report 2007 was despatched to its Shareholder. The Independent Auditors, Ernst & Young, drew attention to the Group's losses of S$12,141,000 during the financial year ended 31 December 2007 and as at that date, the Group was in net current liability position of S$9,593,000. In addition, the Group and the Company had not complied with certain loan covenants of the credit facility agreements with one of its bankers. The Independent Auditors, without qualifying their opinion, highlighted these factors as material uncertainty about the Group's and the Company's ability to continue as going concerns.

(15) On 29 April 2008, the Company issued a clarification announcement in relation to a Business Times article dated 29 April 2008. The article highlighted the Company's intention to turnaround its earnings within two years. The Company clarified that the Board of Directors is striving to improve its financial situation and for the removal of the Company from the Watch List of SGX-ST. The Company also highlighted to shareholders and potential investors that the proposed acquisition of Kingworld Resources Limited will be subject to the fulfilment of, *inter alia*, the conditions to be set out in a definitive sale and purchase agreement, including the obtaining of the relevant regulatory approvals (where required), and accordingly should exercise caution when trading in the shares.

(16) On 7 May 2008, the Company announced the usage of S$1,802,000 from the net Placement proceeds of S$4,239,000, leaving a balance of S$2,437,000. Of the S$1,802,000 used, S$133,000 were used for expenses arising in connection with the proposed acquisition contemplated in the MOU as set out in Note (9) and S$1,669,000 were used for working capital purposes.

(17) On 30 May 2008, the Company announced the quarterly update pursuant to Rule 1313(2) of the Listing Manual for the four months ended 30 April 2008. For the four months ended 30 April 2008, the Group continued to incur losses due to declining revenues, resulting in an unaudited loss before taxation of S$4.50 million, or 1.63 cents per share. The Board of Directors had also announced that it is their opinion that in view of the adverse market conditions, the Group's electronics business will continue to operate at a loss for financial year 2008.

(18) On 10 July 2008, the Company issued profit guidance in respect of six months ended 30 June 2008. Further to a review of the Group's financial position for the five months ended 31 May 2008, the Group's loss before exceptional items for the half-year ended 30 June 2008 (the "**1st Half 2008**") will not be lower than that for the half-year ended 30 June 2007 (the "**1st Half 2007**"). The continued loss is principally due to the deteriorating business environment and outlook for 1st Half 2008 as well as additional depreciation provisions made in 1st Half 2008 which were not made in 1st Half 2007.

(19) On 7 August 2008, the Company announced its half year financial statement and dividend announcement in respect of the 6 months ended 30 June 2008. For the first half of FY2008, the Group incurred a loss before tax of $6.18 million. This was mainly due to the deteriorating business environment and outlook in respect of the Group's electronic business for the current period as well as higher depreciation charge in the first half of FY2008 due to the revision in the useful lives of the Group's plant and equipment effected at the end of last financial year.

(20) On 18 August 2008, the Company executed a definitive sale and purchase agreement with Tan Sri Datuk Sir Tiong Hiew King and Tiong Kiu King to acquire the entire issued and paid-up share capital of KRL comprising 50,000 issued ordinary shares of par value US$1.00 each representing 100% of the entire issued capital of KRL and any new shares in the capital of KRL issued to the Vendors pursuant to the capitalisation of shareholders' loan.

(21) On 30 September 2008, the Company announced that the Group will be closing its manufacturing operations in Penang, Malaysia. The Company also announced that the total cost of the aforementioned closure will be approximately S$1.35 million, and will have a material impact on the consolidated net tangible assets and earnings per share of the Group for financial year ended 31 December 2008. The net tangible assets and earnings per share will be reduced by approximately $0.49.

(22) On 26 February 2009, the Company announced its full year financial statement and dividend announcement in respect of the 12 months ended 31 December 2008. For the full year of FY2008, the Group revenue was S$12.02 million. The Group incurred a loss before exceptional items of S$19.67 million against S$11.75 million in the previous year. The loss was mainly due to the increasingly deteriorating business conditions in respect of the Group's electronic business for the current year which, *inter alia*, necessitated the closure of the Group's plant in Penang.

(23) On 8 April 2009, the Company's Annual Report 2008 was despatched to its Shareholder. The Independent Auditors, Ernst & Young, drew attention to the Group's losses of S$20,338,000 during the financial year ended 31 December 2008 and as at that date, the Group was in net current liability position of S$1,938,000, and net total liabilities of S$11,340,000. In addition, the Group and the Company had not complied with certain loan covenants of the credit facility agreements with one of its bankers. The Independent Auditors, without qualifying their opinion, highlighted these factors as material uncertainty about the Group's and the Company's ability to continue as going concerns.

(24) On 27 April 2009, the Company announced that it had on 27 April 2009 executed a Supplemental Agreement to vary certain terms of the SPA made with Tan Sri Datuk Sir Tiong Hiew King and Tiong Kiu King.

(ii) Volume-weighted average closing price and average daily trading volume

We have evaluated the Issue Price against the volume-weighted average closing price ("**VWAP**") of the Shares over different observation periods in both the periods prior to and after the Supplemental Agreement Announcement Date. Furthermore, we have also examined the highest and lowest price, average daily trading volume and average daily trading volume as a percentage of free float of the Shares for the periods under observation.

	VWAP (S$)[1]	Premium / (Discount) of Issue Price over VWAP (%)	Highest Price (S$)	Lowest Price (S$)	Average Daily Trading Volume[2]	Average Daily Trading Volume as a percentage of Free Float[3] (%)
Periods prior to Supplemental Agreement Announcement Date						
Last 2 years	0.3961	101.96	1.0000	0.0800	264,847	0.31
Last 1 year	0.8281	(3.39)	1.0000	0.4800	36,776	0.04
Last 6 months	0.5576	43.46	1.0000	0.4800	36,471	0.04
Last 3 months	0.5310	50.65	1.0000	0.4800	37,867	0.04
Last 1 month	0.5530	44.67	1.0000	0.5200	25,400	0.03
Last trading day prior to the Supplemental Agreement Announcement Date	1.0000	(20.00)			2,000	0.00
Periods after the Supplemental Agreement Announcement Date						
From the Supplemental Agreement Announcement Date to Latest Practicable Date[4]	N.M.	N.M.			N.M.	N.M.
Latest Practicable Date	N.M.	N.M.			N.M.	N.M.

Source: Bloomberg

Notes:

(1) The VWAP has been determined based on the last transacted prices and daily trading volume of the Shares for the trading days during the respective observation period.

(2) The average daily trading volume of the Shares is calculated based on the total volume of Shares traded during the observation period divided by the number of trading days during the respective observation period.

(3) Free float refers to approximately 85.87 million or 31.36% of the issued share capital of the Company held by the public (as defined in the SGX-ST Listing Manual) as at 31 December 2008, and excludes Shares held by the Company and its concert parties, directors and other substantial shareholders of the Company. We note that the free float as at 31 December 2007 was approximately 25.86 million or 11.06% of the issued share capital of the Company. The Company had on 25 March 2008 completed a placement of 40,000,000 new Shares in the capital of the Company at an issue price of S$0.109 for each new Share, increasing the number of issued shares from 233,821,443 to 273,821,443.

(4) Not meaningful as the Shares were not traded from the Supplemental Agreement Announcement Date to the Latest Practicable Date.

Based on the above table, we note the following:

(1) Over the 2-year period prior to the Supplemental Agreement Announcement Date, the Shares have traded between a low of S$0.0800 per Share to a high of S$1.0000 per Share;

(2) The Issue Price represents a premium of 101.96%, 43.46%, 50.65%, and 44.67% over the VWAP of the Shares for the last 2 years, 6 months, 3 months and 1 month prior to the Supplemental Agreement Announcement Date respectively and a discount of 3.39% and 20.00% over the last 1 year and last trading day prior to the Supplemental Agreement Announcement Date respectively;

(3) The average daily trading volume of the Shares has generally been low for the last 2 years, 1 year, 6 months, 3 months and 1 month prior to the Supplemental Agreement Announcement Date. The average daily trading volume as a percentage of free float for the aforementioned observation periods ranges from a low of 0.00% for the last 1 day to a high of 0.31% for the last 2 years prior to the Supplemental Agreement Announcement Date;

(4) On the last trading day prior to the Supplemental Agreement Announcement Date, the price of the Shares increased from S$0.60 per share on 21 April 2009 to S$1.00 per Share on 23 April 2009, being the last transacted price of the Shares prior to the Supplemental Agreement Announcement Date. The Shares was not traded on the 22 April 2009. The trading volume of the Shares on 23 April 2009 was 2,000 Shares;

(5) From the Supplemental Agreement Announcement Date to the Latest Practicable Date, the Shares were not traded on any of the market days during the period; and

(6) As at Latest Practicable Date, the last closing share price of the Company is S$1.00. The Shares were last traded on 23 April 2009 (being the last trading day prior to the Supplemental Agreement Announcement Date).

The past trading performance of the Shares should not, in any way, be relied upon as an indication or a promise of its future trading performance.

7.5 Financial Effects of the Proposed Acquisition

The financial effects of the Proposed Transactions on the Company set out below are purely for illustrative purposes only and do not reflect the future financial position of the Company or the Group after Completion.

(a) Share capital

The effects of the Proposed Acquisition and the Proposed Debt Conversion on the issued and paid-up share capital of the Company as at the Latest Practicable Date are set out below:

	As at the Latest Practicable Date	
	No. of Shares	S$
Issued and paid-up capital	273,821,443	23,065,715.44[1]
Issue of 112,500,000 Consideration Shares pursuant to the Proposed Acquisition	112,500,000	90,000,000.00
Issue of the Debt Conversion Shares	15,000,000	12,000,000.00
Enlarged issued and paid-up share capital immediately after the Proposed Acquisition and Proposed Debt Conversion	401,321,443	125,065,715.44[2]

Notes:

(1) This figure does not take into account the placement expenses of S$121,000 for the placement completed in March 2008.

(2) This figure does not take into account the placement expenses of S$121,000 for the placement completed in March 2008, the estimated expenses of S$50,000 for the issue of shares under the Proposed Acquisition and the estimated expenses of S$10,000 for the issue of shares under the Proposed Debt Conversion.

(b) NAV per Share

For illustration purposes only, the effect of the Proposed Transactions on the NAV per Share of the Group for FY2008, assuming that the Proposed Transactions had been effected at the end of the financial year are as follows:

	NAV per Share (cents) for FY2008
Before adjusting for Proposed Acquisition[1]	(4.14)
After adjusting for Proposed Acquisition[2]	20.35
After adjusting for Proposed Acquisition and Proposed Debt Conversion[3]	22.58

Notes:

(1) Computed based on the issued share capital of 273,821,443 ordinary shares as at 31 December 2008, after taking into account the issue of 40,000,000 new ordinary shares in March 2008.

(2) Computed based on the issued share capital of 386,321,443 ordinary shares, after taking into account the 112,500,000 Consideration Shares issued to the Vendors.

(3) Computed based on the issued share capital of 401,321,443 ordinary shares, after taking into account 112,500,000 Consideration Shares issued to the Vendors and the 15,000,000 Debt Conversion Shares issued to SPL.

The net tangible asset value (the "**NTA**") of the Group after the Proposed Acquisition can only be ascertained after performing additional procedures, including purchase price allocation and determining the financing method for the cash portion of the Purchase Consideration.

(c) Loss per Share

For illustration purposes only, the effect of the Proposed Transactions on the LPS of the Group for FY2008 assuming that the Proposed Transactions had been effected at the beginning of the financial year are as follows:

	Basic and diluted LPS (cents) for FY2008
Before adjusting for Proposed Acquisition[1]	7.69
After adjusting for Proposed Acquisition[2]	5.39
After adjusting for Proposed Acquisition and Proposed Debt Conversion[3]	5.19

Notes:

(1) Computed based on the weighted average number of ordinary shares of 264,531,826 as at 31 December 2008, after taking into account the issue of 40,000,000 new ordinary shares in March 2008.

(2) Computed based on the weighted average number of ordinary shares of 377,031,826 as at 31 December 2008, after taking into account the issue of 40,000,000 new ordinary shares in March 2008 and the issue of 112,500,000 Consideration Shares issued to the Vendors.

(3) Computed based on the weighted average number of ordinary shares of 392,031,826, after taking into account the issue of 40,000,000 new ordinary shares in March 2008, the 112,500,000 Consideration Shares issued to the Vendors and the 15,000,000 Debt Conversion Shares issued to SPL.

(d) Gearing

For illustration purposes only, the effect of the Proposed Transactions on the gearing ratio of the Group for FY2008 assuming that the Proposed Transactions had been effected at the end of the financial year are as follows:

	Before the Proposed Transactions FY2008	**After adjusting for the Proposed Acquisition FY2008**	**After adjusting for the Proposed Acquisition, and Proposed Debt Conversion FY2008**
Total bank borrowings (S$ '000)	6,671	6,671	6,671
Total Equity (S$ '000)	(11,340)[1], [4]	78,610[2], [4]	90,600[3] , [4]
Gearing (times)	N.M.	0.08	0.07

Notes:

(1) This figure takes into account the placement expenses of S$121,000 for the placement completed in March 2008.

(2) This figure takes into account the placement expenses of S$121,000 for the placement completed in March 2008 and the estimated expenses of S$50,000 for the issue of shares under the Proposed Acquisition.

(3) This figure takes into account the placement expenses of S$121,000 for the placement completed in March 2008, the estimated expenses of S$50,000 for the issue of shares under the Proposed Acquisition and the estimated expenses of S$10,000 for the issue of shares under the Proposed Debt Conversion.

(4) This figure takes into account of the 40,000,000 placement shares issued in March 2008.

7.6 Other relevant considerations

(a) Acquisition of development and production of petroleum project with proven Contingent Resources

We understand from the Company's management (the "**Tri-M Management**") and Directors of the Company that as previously announced, the Company has been facing a difficult operating environment due to the competitive economic climate in the electronics industry. Nonetheless the Group aims to reduce its losses in its existing electronics business following the closure and consolidation of manufacturing plants in the PRC and by tightening cost controls, and to improve its financial situation so as to enable the removal of the Company from the Watch List of the SGX-ST, on which the Company has been placed since 5 March 2008.

Prior to the signing of the SPA relating to the Proposed Acquisition, the Directors of the Company had evaluated the Proposed Acquisition and concluded that the Proposed Acquisition will be able to add value to the Company and bring benefits to the Company's Shareholders as the KRL Project already had proven Contingent Resources and is expected to be profitable. The Company would be able to diversify its loss making electronics business and enter into the development and production of petroleum business through the Proposed Acquisition.

The new business from the Proposed Acquisition is expected to create a new revenue stream for the Company and is anticipated to improve the financial condition of the Company. We further understand that KRL is already in the evaluation stage of the project and acquiring KRL would save the Directors and Tri-M Management time and effort in commencing a similar project to the project undertaken by KRL, moreover the cost of undertaking such projects (from a nascent stage to the current stage of the project that KRL has undertaken) may not necessarily be lower than the Purchase Consideration. In addition, we understand from Tri-M Management that they would have had to expend substantial management time and groundwork to reach the stage of development as presented by the KRL Project.

(b) Discount on the valuation of the KRL Project as implied by the Purchase Consideration

We note that the Purchase Consideration in respect of the Proposed Acquisition is S$110.00 million (or US$76.00 million based on exchange rates as at the Latest Practicable Date) whereas GCA had provided an EMV range of the KRL Project at between US$160.00 million to US$230.00 million, which translates to a significant range of discount of between 52.50% to 66.96% to the economic valuation/EMV range of the KRL Project by GCA.

We note that the Purchase Consideration of S$110.00 million is at a premium of approximately S$103.85 million over the book value of KRL. In this respect, we note that the Purchase Consideration had valued the KRL Project as an ongoing business through a discounted cash flow projection and it should be noted that KRL is currently primarily in oil exploration and may not have significant paid up capital and assets and in addition, the value of the KRL would be highly dependent on the Contingent Resources of the project. The premium implied by the Purchase Consideration over the book value of KRL should be viewed in this context.

(c) Contingent Resources attributable to KRL

We note that the revenue projection used in the GCA's Economic Evaluation Report was, *inter alia*, based on the total gross and net entitlement of 1C, 2C and 3C Contingent Resources over the evaluation, development and production period respectively as reported in the Technical Report. We further note that according to the Reserves and Resources definitions by the SPE, Contingent Resources refers to "*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 classified as 1C refers to resources with the lowest level of uncertainty, while 3C refers to resources with the highest level of uncertainty.

We note that the Economic Evaluation Report had assumed that a certain amount of production could be derived from the 3C Gross Contingent Resources, whereupon 3C refers to resources with the highest level of uncertainty.

(d) The Company is on the Watch List of the SGX-ST

It was announced by the Company on 4 March 2008 that further to the notice of three consecutive years' losses that were released by the Company on 29 February 2008 and pursuant to Rule 1311 of the Listing Manual, the Company had been placed on the Watch List the SGX-ST (the "**Watch List**") with effect from 5 March 2008 ("**Watch List Announcement**"). It was further announced in the Watch List Announcement that the Company may apply for its removal from the Watch List upon meeting either one of the following requirements:

(i) the Company records consolidated pre-tax profit for the latest completed financial year and has an average daily market trading capitalisation of S$40 million or more over the last 120 market days; or

(ii) it satisfies the Mainboard admission criteria as set up in Listing Rule 210 (2)(a) or 210(b).

The Company would have within 24 months from 5 March 2008 to restore its financial health to the prescribed levels as aforesaid, failing which, the SGX-ST may either (i) remove the Company from the Official List or suspend trading of the listed securities of the Company (without the agreement of the Company) with a view to removing the Company from the Official List.

We note that there is no certainty that the Company would be removed from the Watch List pursuant to the completion of the Proposed Acquisition and the Company may be delisted from the SGX-ST if it fails to restore its financial health to the prescribed levels as mentioned above by 5 March 2010. We understand that the Directors and Tri-M Management would source funds for the working capital and capital expenditure requirements related to the KRL Project through internal resources, or debt financing, or equity financing after the completion of the Proposed Acquisition. Nonetheless, given the capital intensive nature of the KRL Project, it is possible that the Company may not achieve the requirements set by the SGX-ST by 5 March 2010 and accordingly may be delisted.

(e) Risk Factors

We note that there are certain risk factors relating to the Proposed Acquisition which is further elucidated in section 11 of the Circular. In the event that any of such considerations, uncertainties or material risks develops into actual events pursuant to the Proposed Acquisition, the business, financial condition of the Company and/or results of operations may be materially and adversely affected. In such cases, the price of Shares could decline due to any of these considerations, uncertainties or material risks and investors in the Company may lose all or part of their investment in the Shares.

8. OPINION

In arriving at our opinion in respect of the Proposed Acquisition, we have deliberated on the various factors which we consider to be pertinent and to have a significant bearing on our assessment of the Proposed Acquisition, including, *inter alia*, the following:

(a) The Applied Discount Rate is within the WACC range of the Reference Companies of between 9.78% and 14.38%, is higher than the simple average WACC of the Reference Companies of 11.72% but is lower than the weighted average WACC of the Reference Companies of 12.14%. It is important to note that the Applied Discount Rate is a professional judgment based on GCA's experience and personal observation in respect of the valuation of the Fuyu 1 Block.

(b) Out of the 19 years of comparable period, the annual growth rate in FCFs of the KRL Project is higher than the Comparables FCF Growth Rate Range for 3 years, is within the Comparable FCF Growth Rate Range for 5 years and is lower than the Comparable FCF Growth Rate Range for 11 years.

(c) Out of the 19 years of comparable period, the annual growth rate in FCFs of the KRL Project is higher than the Simple 3-year average for 4 years and is lower than the Simple 3-year average for 15 years.

(d) Out of the 19 years of comparable period, the annual growth rate in FCFs of the KRL Project is higher than the Weighted 3-year average for 8 years and is lower than the Weighted 3-year average for 11 years.

(e) Over the 2-year period prior to the Supplemental Agreement Announcement Date, the Shares have traded between a low of S$0.0800 per Share to a high of S$1.0000 per Share.

(f) The Issue Price represents a premium of 101.96%, 43.46%, 50.65%, 44.67% over the VWAP of the Shares for the last 2 years, 6 months, 3 months and 1 month prior to the Supplemental Agreement Announcement Date respectively and a discount of 3.39% and 20.00% over the last 1 year and last trading day prior to the Supplemental Agreement Announcement Date respectively.

(g) The average daily trading volume of the Shares has generally been low for the last 2 years, 1 year, 6 months, 3 months and 1 month prior to the Supplemental Agreement Announcement Date. The average daily trading volume as a percentage of free float for the aforementioned observation periods ranges from a low of 0.00% for the last 1 day to a high of 0.31% for the last 2 years prior to the Supplemental Agreement Announcement Date.

(h) On the last trading day prior to the Supplemental Agreement Announcement Date, the price of the Shares increased from the last traded price of S$0.60 per Share on 21 April 2009 to S$1.00 per Share on 23 April 2009. The Shares was not traded on the 22 April 2009. The trading volume of the Shares on 23 April 2009 was 2,000 Shares.

(i) From the Supplemental Agreement Announcement Date to the Latest Practicable Date, the Shares were not traded on any of the market days during the period.

(j) As at the Latest Practicable Date, the last closing share price of the Company is S$1.00. The Shares were last traded on 23 April 2009 (being the last trading day prior to the Supplemental Agreement Announcement Date).

(k) The Company would be able to diversify its loss making electronics business and enter into the development and production of petroleum business through the Proposed Acquisition. The new business from the Proposed Acquisition is expected to create a new revenue stream for the Company and is anticipated to improve the financial condition of the Company.

(l) The independent Economic Evaluation Report prepared by GCA in respect of the KRL Project in which GCA had ascribed an EMV range of between US$160.00 million to US$230.00 million in respect of the KRL Project. We note that the Purchase Consideration in respect of the Proposed Acquisition is S$110.00 million (or US$76.00 million based on exchange rates as at the Latest Practicable Date) whereas GCA had provided an EMV range of the KRL Project of between US$160.00 million to US$230.00 million, which translates to a significant range of discount of between 52.50% to 66.96% to the evaluation of the KRL Project by GCA. We note that the Purchase Consideration of S$110.00 million is at a premium of approximately S$103.85 million over the book value of KRL. In this respect, we note that the Purchase Consideration had valued the KRL Project as an ongoing business through a discounted cash flow projection and it should be noted that KRL is currently primarily in oil exploration and may not have significant paid up capital and assets and in addition, the value of the KRL would be highly dependent on the Contingent Resources of the project. The premium implied by the Purchase Consideration over the book value of KRL should be viewed in this context.

(m) We note that the Economic Evaluation Report had assumed that a certain amount of production could be derived from the 3C the Gross Contingent Resources, whereupon 3C refers to resources with the highest level of uncertainty.

(n) We note that there is no certainty that the Company would be removed from the Watch List pursuant to the completion of the Proposed Acquisition and the Company may be delisted from the SGX-ST if it fails to restore its financial health to the prescribed levels as mentioned above by 5 March 2010. We understand that the Directors and Tri-M Management would source funds for the working capital and capital expenditure requirements related to the KRL Project through internal resources, or debt financing, or equity financing after the completion of the Proposed Acquisition. Nonetheless, given the capital intensive nature of the KRL Project, it is possible that the Company may not achieve the requirements set by the SGX-ST by 5 March 2010 and accordingly may be delisted.

(o) We note that there are certain risk factors relating to the Proposed Acquisition. In the event that any of such considerations, uncertainties or material risks develops into actual events pursuant to the Proposed Acquisition, the business, financial condition of the Company and/or results of operations may be materially and adversely affected. In such cases, the price of Shares could decline due to any of these considerations, uncertainties or material risks and investors in the Company may lose all or part of their investment in the Shares.

Having regard to the considerations set out in this letter and the information available as at the Latest Practicable Date, we are of the opinion that on balance, the financial terms of the Proposed Acquisition are on normal commercial terms and are not prejudicial to the interests of the Company and its Independent Shareholders.

Independent Directors should also note that transactions of the Shares are subject to possible market fluctuations and accordingly, our opinion on the Proposed Acquisition does not and cannot take into account the future transactions or price levels that may be established for the Shares since these are governed by factors beyond the ambit of our review.

This letter has been prepared to the Independent Directors for their benefit, in connection with and for the purpose of their consideration of the financial terms of the Proposed Acquisition. The recommendation made by the Independent Directors to the Independent Shareholders in relation to the Proposed Acquisition shall remain the sole responsibility of the Independent Directors.

Whilst a copy of this letter may be reproduced in the Circular and for any matter in relation to the Proposed Acquisition, neither the Company nor the Directors may reproduce, disseminate or quote this letter (or any part thereof) for any other purpose at any time and in any manner without the prior written consent of PPCF in each specific case. This opinion is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters stated herein and does not apply by implication to any other third party and the Contracts (Rights of Third Parties) Act, Chapter 53B of Singapore and any amendments thereto shall apply.

Yours faithfully
For and on behalf of
PrimePartners Corporate Finance Pte. Ltd.

Mark Liew
Managing Director, Corporate Finance

Copy No.

THE TECHNICAL REPORT ON THE FUYU 1 BLOCK OF KINGWORLD RESOURCES LIMITED IN JILIN PROVINCE OF CHINA

Prepared for

TRI-M TECHNOLOGIES (S) LIMITED

April, 2009

The Americas

Four Oaks Place
1360 Post Oak, Suite 2500
Houston, Texas 77056
Tel: +1 713 850 9955
Fax: +1 713 850 9966
email: gcah@gaffney-cline.com

Europe, Africa, FSU and the Middle East

Bentley Hall, Blacknest
Alton, Hampshire
United Kingdom GU34 4PU
Tel: +44 1420 525 366
Fax: +44 1420 525 367
email: gcauk@gaffney-cline.com

Asia Pacific

80 Anson Road, #31-01C
Fuji Xerox Towers
Singapore 079907
Tel: +65 6225-6951
Fax: +65-6224-0842
email: gcas@gaffney-cline.com

and at Buenos Aires & Sydney
www.gaffney-cline.com

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APPENDICES

GCA **Gaffney, Cline & Associates (Consultants) Pte Ltd**
Technical and Management Advisers to the Petroleum Industry Internationally Since 1962

80 Anson Road, #31-01C
Fuji Xerox Towers
Singapore 079907
Telephone: +65 6225 6951
Facsimile: +65 6224 0842
email:gcas@gaffney-cline.com
www.gaffney-cline.com

Registration No. 198701453N

SK/dh/L0037/2009/KK1186.01 **30th April, 2009**

Tan Sri Datuk Tiong Hiew King
Chairman
TRI-M TECHNOLOGIES (S) LTD
25 Kallang Avenue # 07-01
Singapore 339416

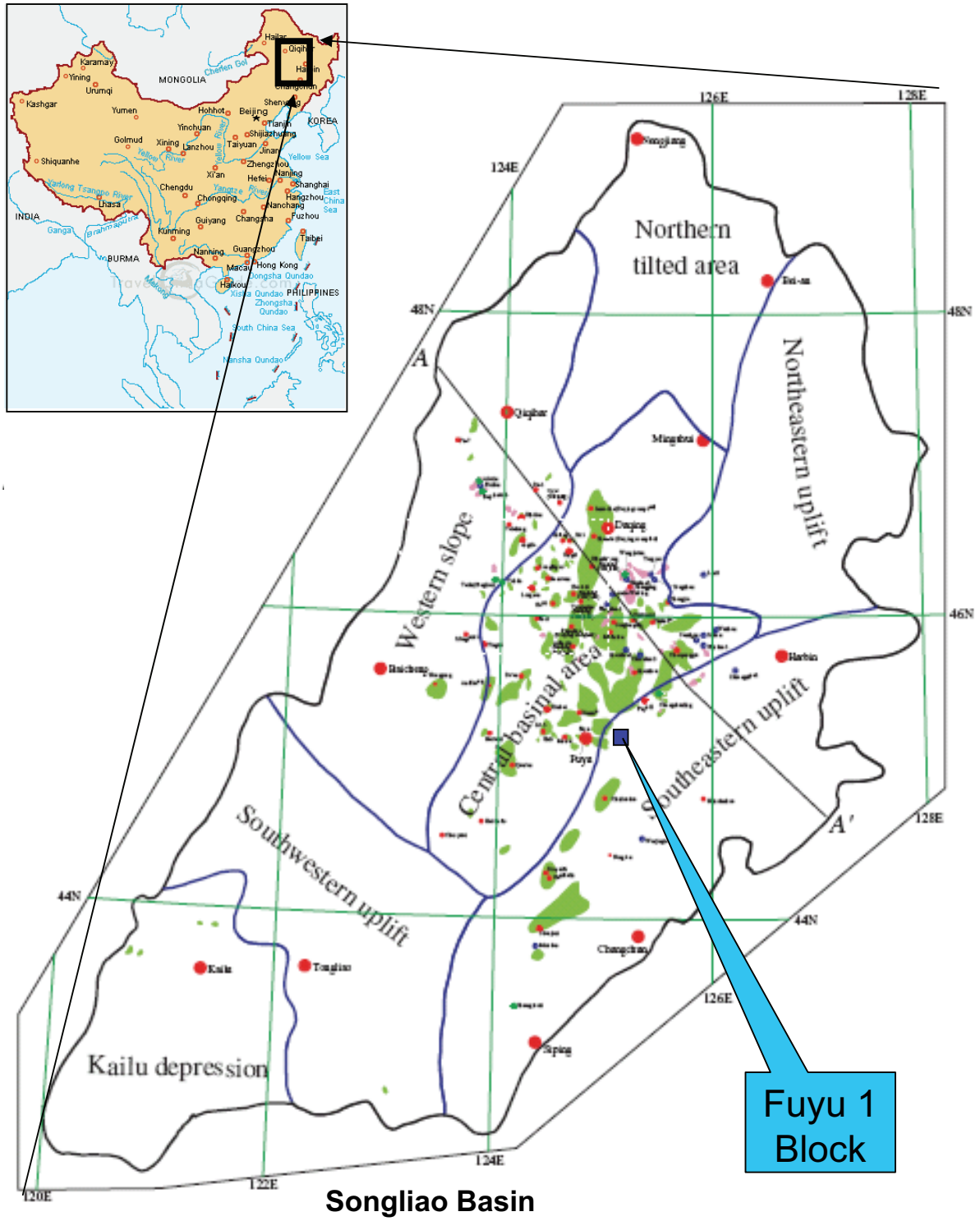
Dear Tan Sri,

THE TECHNICAL REPORT
ON FUYU 1 BLOCK, JILIN, CHINA

INTRODUCTION

In accordance with the instruction letter of TRI-M TECHNOLOGIES (S) LTD (TRI-M) dated 14th March, 2008, Gaffney, Cline & Associates (GCA) has conducted a review of the Fuyu 1 Block located near Songyuan City, Jilin Province in the People's Republic of China (PRC). A Petroleum Contract has been signed for the Block in Songliao basin between the previous operator, China National Petroleum Corporation and Kingworld Resources Limited (Kingworld) incorporated in British Virgin Islands. TRI-M, a listed company on the Singapore Stock Exchange, plans to acquire the assets of Kingworld. GCA has been asked by TRI-M to review the asset – said review is the subject of this report. The petroleum assets in the Fuyu 1 Block comprise a heavy oil field. At this time the project is only in the pilot testing and initial evaluation stages. The location of the Songliao Basin in China and the Fuyu 1 Block in the petroleum producing province of Jilin is presented in **Figures 1** and **2**.

The Production Sharing Contract (PSC) for the Fuyu 1 Block in the Jilin Province of PRC was executed by the China National Petroleum Corporation and Kingworld on 12th November, 2007, for a period of three (3) years for the evaluation of the prospect and thereafter twenty (20) years from the Commencement of Commercial Production. The contract is limited to a maximum of 30 years. The license details are summarised in **Table 1**. The Fuyu 1 Block licence area extends to 254.9 km^2. Under the terms of the PSC, the Contractor, Kingworld pays 100% of Evaluation Cost, Development Cost and 49% of the Operating Cost, which it recovers according to a mechanism of "cost recovery oil" and "investment recovery oil" as described in the contract. Remaining oil after cost recovery is "share oil", which is apportioned between CNPC 51% and Kingworld 49%. The joint venture entity will deduct all applicable taxes and Royalty that might apply in PRC from the production in kind or in cash as it is applicable. Kingworld's "share oil" is subject to payment of all other corporate income tax that may be applicable in the People's Republic of China.

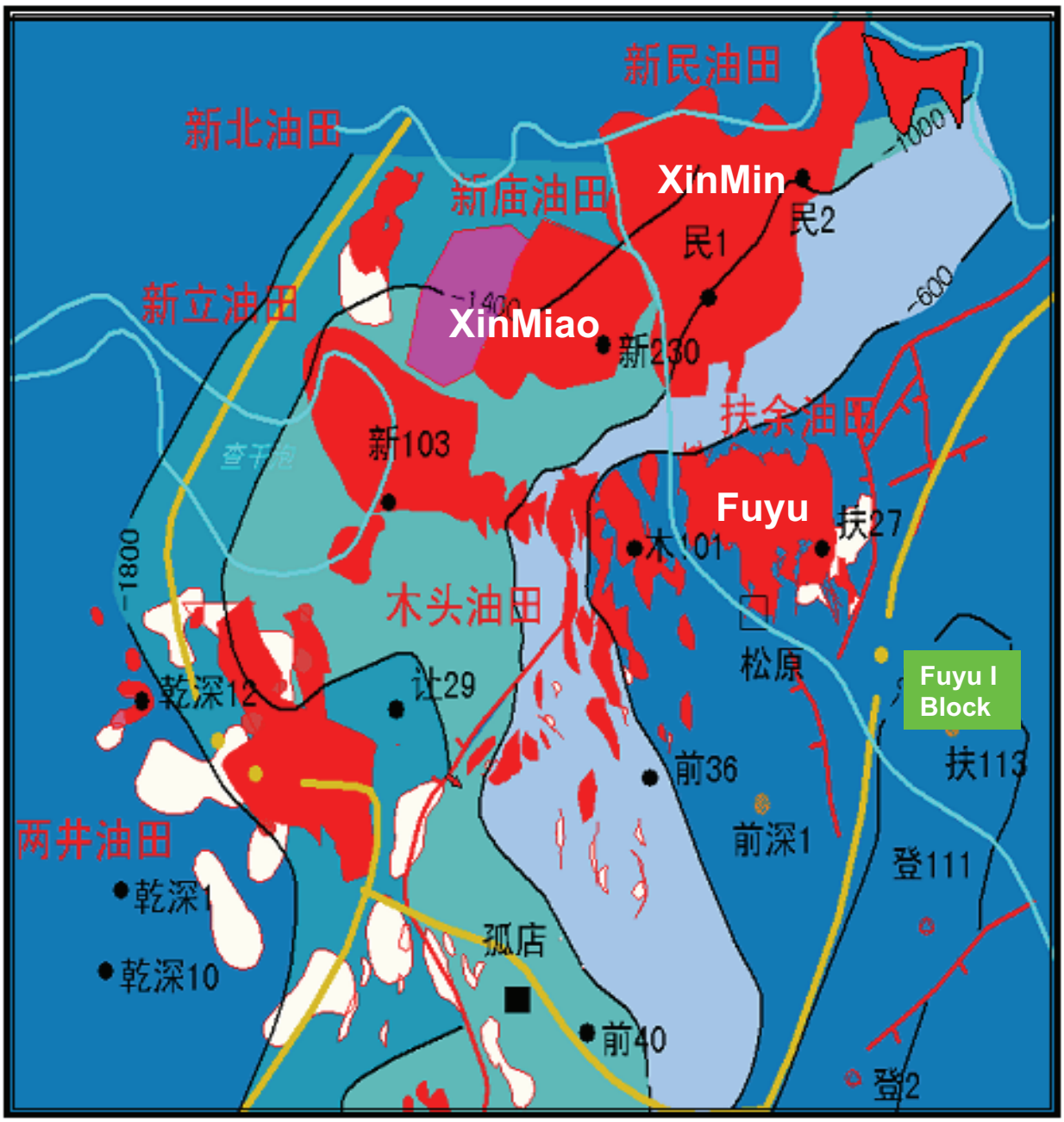


Songliao Basin

Source: USGS Bulletin 2203-A, 2003

Fuyu 1 Block Location in Songliao Basin

Project:K1186.01 Apr09	Checked:	Fig 1



Source: Kingworld

Fuyu 1 Block Location Relative to the Neighbouring Oil Fields

Project:K1186.01 Apr09	Checked:	Fig 2

TABLE 1

**WORKING INTEREST AND LICENCE STATUS
AS OF 31st DECEMBER, 2008**

Asset	Interest Holders	Interest (%)	Status	Licence Expiry Date	Licence Area (km^2)	Comments
Production Licence						
Fuyu 1 Block	Kingworld	100%	Appraisal	11th November, 2031	254	An explored heavy oil field undergoing appraisal for development.

Note: CNPC has an entitlement to of 51% of "share oil" and pays 51% of OPEX.

Checked: SK Approved: DJF

Kingworld has made available to GCA a data set of technical information, including geological and geophysical data, engineering and economic feasibility reports and the Production Sharing Contract (PSC). GCA has conducted a site visit to the Fuyu 1 Block. GCA has no reason to believe that any material facts have been withheld from it, but does not warrant that its inquiries have revealed all of the matters that a more extensive examination might otherwise disclose. The opinions and statements contained in this report are made in good faith and in the belief that such opinions and statements are representative of prevailing physical and economic circumstances. In conducting this review, GCA has relied on the information provided by TRI-M referred to above.

These assets comprise Contingent Resources. To estimate Contingent Resources, GCA uses the Petroleum Resources Management System published in March, 2007 for estimating petroleum resources in accordance with the definitions promulgated collectively by the Society of Petroleum Engineers (SPE), the World Petroleum Council (WPC) the American Association of Petroleum Geologists (AAPG) and Society of Petroleum Evaluation Engineers (SPEE), known as the SPE PRMS and attached here as **Appendix I.**

Contingent Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations, but the applied project(s) are not yet considered mature enough for commercial development due to one or more contingencies. Contingent Resources may include, for example, projects for which there are currently no evident 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.

Table 2 summarizes the Contingent Resources for the Fuyu 1 Block as of 31st December, 2008. Kingworld's net entitlement interest volumes reported in **Table 2** represent those amounts that are determined to be attributable to Kingworld's net economic interest, after the deduction of amounts attributable to third parties, which is consistent with international reserve reporting practices, and is in accordance with the SPE PRMS guidelines. The reported hydrocarbon volumes are an estimate based on professional engineering judgment and are subject to future revision, upward or downward, as a result of future operations, economic condition or as additional information become available. It must be appreciated that the risked volumes reported in terms of the Contingent Resources do not incorporate the considerations of economic uncertainty and commerciality.

This assessment was conducted within the context of GCA's understanding of the effects of Petroleum Legislation, taxation and other regulations that currently pertain to the asset. However, GCA is not in a position to attest to the property title, financial interest relationships or encumbrances thereon for any part of the asset reviewed.

This report has been prepared for TRI-M TECHNOLOGIES (S) LTD and should not be used for purposes other than those for which it is intended. This report should not be reproduced, either in whole or part, without the written permission of GCA.

We respectfully draw your attention to GCA's Standard Contract Conditions where, under the heading "Publication of Consultant's Work", there is a provision stating "The Client will obtain GCA's approval for the use, and context of the use, of any results, statements or opinions expressed to the Client, which are attributed to GCA. Such approval shall include, but not be

confined to, statements or references in documents of a public or semi-public nature such as loan agreements, prospectuses, reserve statements, press releases etc."

A glossary of abbreviations and key industry standard terms, some or all of which may be used in this report, is attached as **Appendix II**. The geological maps are attached in **Appendix III**.

TABLE 2

SUMMARY OF GROSS AND NET ENTITLEMENT CONTINGENT RESOURCES AS OF 31st DECEMBER, 2008

Gross Contingent Resources			Net Entitlement Attributable to KINGWORLD		
1C	2C	3C	1C	2C	3C
MMTonnes	MMTonnes	MMTonnes	MMTonnes	MMTonnes	MMTonnes
1.859	10.509	29.599	0.906	5.144	14.435

Notes:
1. Gross Contingent Resources are 100% of the Contingent Resources attributable to the licence.
2. Contingent Resources are estimated on the basis of GCA's forecasts of production, costs and price profiles for the development and operation of the Fuyu 1 Block.
3. Net Entitlement Contingent Resources reflect net economic entitlement attributable to Kingworld Resources Limited converted to equivalent tonnes, and reflect the costs associated with the development concept.
4. Evaluation based on GCA's 1Q 2009 SPE Forecast Price Scenario.

Checked: SK Approved: DJF

SUMMARY

The Fuyu 1 Block was explored by CNPC in 1984. A few wells had oil shows, but the oil did not flow to the surface during conventional well test. The Fuyu 119 well was further tested in August 1984 by applying the Huff 'n' Puff method by injecting 800 tonnes of steam and soaking the well for two days before flow testing the well. During the test, the initial production was 8.7 tonnes of oil per day which declined over 35 days, providing an average of 2.38 tonnes per day over the well test period. The crude oil in the reservoir has an average specific gravity of 0.95, viscosity ranging from 718 cP to 2,700 cP with a paraffin content of 21.8% and 40% bitumen.

Following discovery, the field was not developed because the Fuyu 1 Block heavy oil reservoir has low permeability, contains multiple thin reservoir sand layers with low oil saturation and furthermore, the field is compartmentalized by shale barriers and faults. Now, the relatively low cost of developing the shallow reservoir, the low cost of production in China, and the advancement in technology could make the project potentially commercially viable.

Recently, a team from China University of Petroleum (CUPB) analyzed the sub-surface data, alternative development methods and potential economics from a conceptual basis. The CUPB report developed a project evaluation basis for testing two alternative well patterns for development of the field; an inverted nine spot well pattern and combined thirteen spot well pattern, which incorporates a horizontal production well. The CUPB report is based on potential development concepts drawn from other heavy oil production projects in China at Liaohe, Shengli, Xinjiang and Henan. Based on the past history in China, CUPB have modelled the field development in two stages; an initial Huff 'n' Puff stage followed by a full field Steam Flood stage. Results from the study using the combined thirteen-well pattern have indicated that the NPV of the project will be favourable for all the stakeholders – PRC, CNPC and Kingworld.

However, it is very difficult to predict the production behavior of the horizontal well and the corresponding steam consumption during Huff 'n' Puff stage until the pilot study is completed. GCA is, therefore, of the opinion that a pilot study needs to be performed on both the nine spot well pattern and thirteen spot combined pattern to ascertain the relative merits of the two development methods.

GCA is in broad agreement with the proposed development concept basis, but considers that the Huff 'n' Puff test needs to be carried out over a longer period during the evaluation to determine the true production potential of the reservoirs. Due to the high degree of uncertainty at this stage and based on experience of similar projects, GCA prefers the development of the field based on the Inverted 9-spot well pattern with all vertical wells rather than the 13-spot combined well pattern. The 9-spot well pattern has been very successful in many oilfields in China – Karamay, Leng Jiapu etc.

Kingworld has commenced the Evaluation Program with the following objectives:

- Complete an appraisal program of seismic acquisition and drill parametric wells;
- Identify the optimum process for commercial recovery of oil;
- Prepare Stock Tank Oil Initially in Place (STOIIP) estimate and a Reserves reports;
- Submit a land use proposal for Government approval;
- Submit an Environmental Impact Analysis for Government approval;
- Compile an Overall Development Plan and seek Government approval.

Kingworld has recently drilled 31 appraisal wells in different parts of the block including areas beyond the committed evaluation program. 29 of these wells have confirmed oil pay based on log analysis results and 6 of the wells have tested oil with the Huff 'n' Puff method. 3 wells have been put on trial production over the last few months. Two step-out appraisal wells targeted at distinct fluvial objects have proved to be dry.

The results from these recent appraisal wells are encouraging and appear to support the results from the concept study performed by the CUPB based on the old CNPC data. However, the commerciality of the wells can only be established by observation of actual well production trends over a few Huff 'n' Puff stimulation cycles and subsequent steam flooding using one of the specified grid based well patterns. Provided that such a demonstration during the current evaluation period is successful, the results can be up-scaled to provide a plan for full field development.

Nevertheless, the Block still needs to be further appraised with additional step-out wells to better define and if possible extend the various limits imposed on the areas within the block used to estimate the 1C, 2C and 3C Resources.

In summary, the Fuyu 119 well test has confirmed the possibility of heavy oil production, but the method of development and production trends from the wells can be confirmed only by the pilot test(s) during the three year evaluation period. Until the technical process to produce the oil from the field is properly established and the Overall Development Plan (ODP) is approved by the Government, volumes can only be termed as Contingent Resources, instead of Reserves, under the SPE definitions (see **Appendix I**).

DISCUSSION

1. GEOLOGICAL SUMMARY

1.1 Regional Geology

The Fuyu 1 Block is located south east of the Fuyu Oilfield, in the Jilin Province of northern China. The present topography of the area around the Block is dominated by a nearly featureless flatland and gently undulating hills dissected by rivers and lakes. The elevation is between 140 - 160 m above sea level. The area forms part of the Songliao Basin, a large intracratonic rift basin which is one of the largest petroleum producing regions in China, and in which major oil fields such as Daqing, Fuyu and XinMin are also situated. The Fuyu 1 Block is located south east of the Central Basinal part of the Songliao Basin, at the western edge of the Southern Uplift (**Figure 1**). The location of the block relative to the other oil fields in the area is shown in **Figure 2**. Here, the Quantou Formation which members are the main reservoirs of many of the surrounding oil fields is uplifted to a shallow depth.

The petroleum system and the stratigraphic framework of the Songliao Basin are shown in **Figure 3**, in which the reservoirs, source and seals of the Fuyu 1 Block area are highlighted. The source rock of the hydrocarbon in the area is thought to be the Early Cretaceous Qingshankou Formation. Hydrocarbon was formed during the Late Cretaceous to Early Tertiary periods and migrated to the reservoir rocks of the Quantou and Yaojia formations. The structural traps are mostly faulted anticlines formed during the Late Cretaceous and Early Tertiary compressional tectonics phase. The regional seal is formed by the Qingshankou formation.

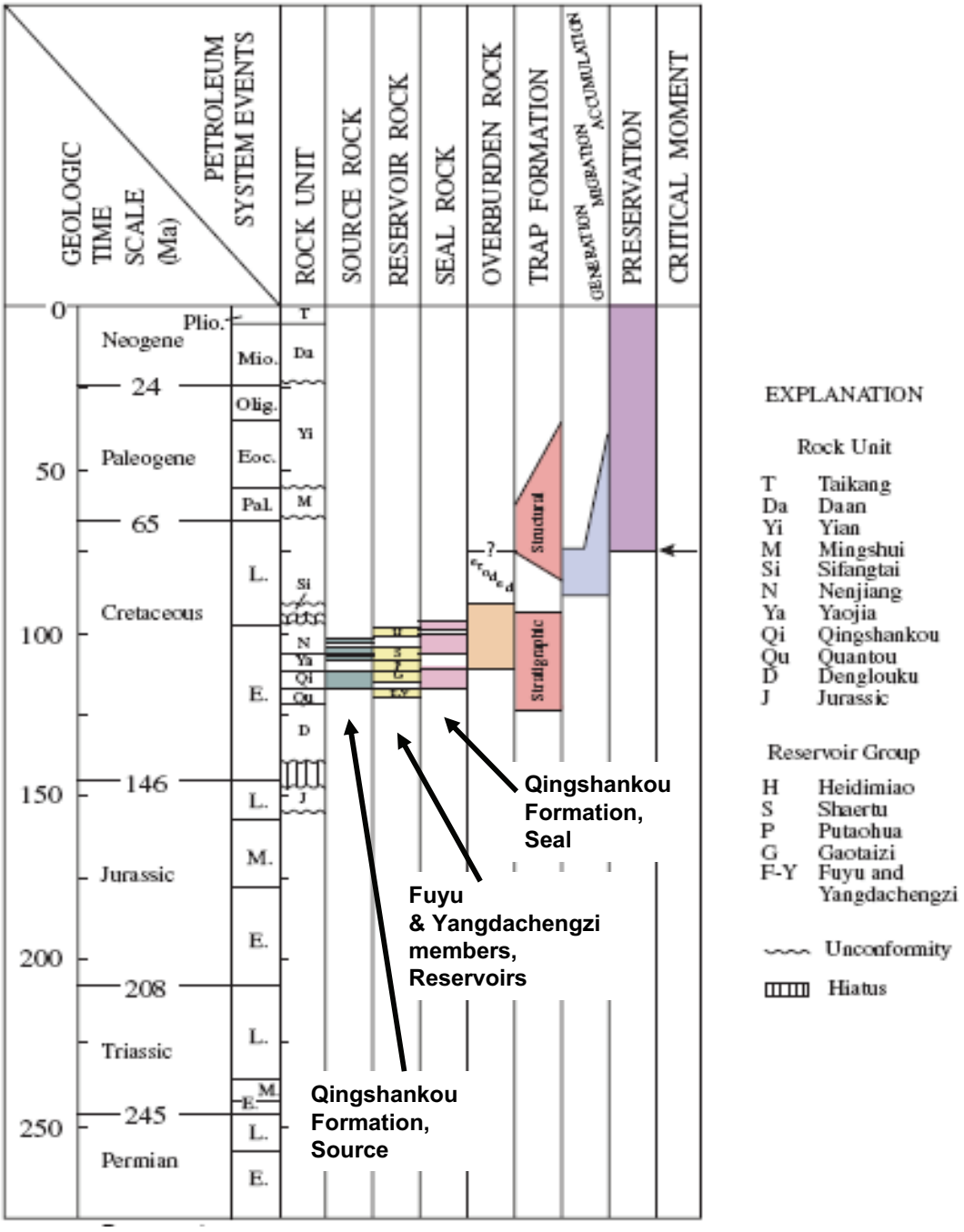
The reservoirs of the Fuyu 1 Block are the sandstones of the Fuyu (also known as Q4) member and upper part of the Yangdachengzi (Q3) member of the Lower Cretaceous age Quantou Formation. The two members also form the main reservoirs of the Fuyu and XinMin Oilfields nearby. The sandstones of the Quantou Formation were deposited in fluvial and deltaic systems on the margins of a large basin-centred lake.

In the Fuyu 1 Block, the main trapping mechanisms seem to be mostly structural. The Block encompasses a four-way dipping anticline, a domal structure slightly elongated in the north east-south west direction, which is dissected by many north-south trending small faults (**Figure 4**). The structure measures approximately 12 km x 15 km.

1.2 Exploration History

The following exploration history was extracted from the Kingworld study report. However, numbers of wells as stated here are difficult to reconcile. Hydrocarbon accumulation in the Fuyu 1 Block area was first discovered in 1959. Twenty exploration wells were subsequently drilled in the area, with a total footage of 9,475 m. All wells were cored and 16 layers from 9 wells were tested.

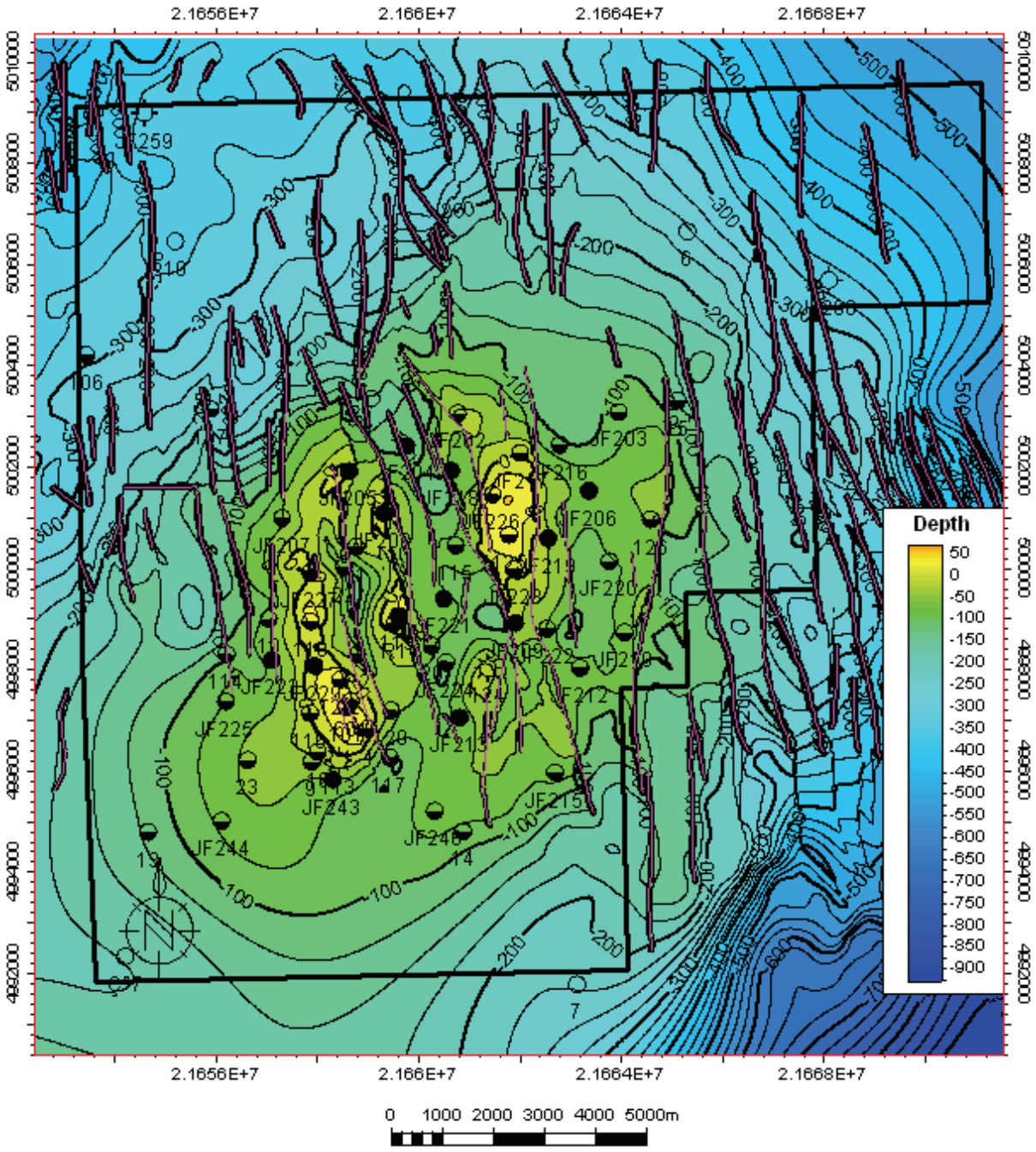
In 1963, 180 km 2D seismic data with a grid density of 4 km x 12 km was acquired over the Block and Fuyu 101 was drilled, cored and tested in two layers. In 1975 Fuyu 107 was drilled at the southern flank. Wells Fuyu 105, 106, 111 and 112 were completed around the same time. In 1981 and 1982, wells Fuyu 114 and 115 were drilled and tested. In 1983, 6 more exploration wells located in the southern high were drilled, including 3 coring holes.



Source: USGS Bulletin 2203-A, 2003

Petroleum System & Stratigraphy of the Songliao Basin

Project:K1186.01 Apr09 | Checked: | Fig 3



Structure Depth Map of the Top Fuyu Reservoir in Fuyu 1 Block

Project:K1186.01 Apr09	Checked: SK	Fig 4

As of the end of 1983, the total number of wells drilled was 30; with 25 additional coring holes drilled. Of the 30 wells, 27 encountered hydrocarbon shows and 29 layers were tested from 16 wells. By the end of 2005, there were a total of 38 wells over the area.

The Block boundary of Fuyu 1 covers an area of 254.9 km^2 according to the contract document. The map provided (**Figure 4**) shows that the area contains 33 wells, as follows: wells Fuyu 1, 4, 6, 9, 10, 11, 13, 14, 15, 16, 19, 20, 22, 23, 101, 106, 107, 113, 114, 115, 116, 117, 118, 119, 120, 124, 125, 126, 601, 12-2, R1, R2 and Qian 7. Also shown are nearby wells Fuyu 123 and Fuyu 7, which are located at a small distance outside the Block boundary. Most of the wells were drilled around the crest of the structure and targeting the Fuyu reservoir and the upper part of the Yangdachengzi reservoir.

Most of the area of the Block is covered by 2D seismic data which totals 430 km in 43 lines (**Figure 5**). Only the area in the south western part of the Block and a small area in the north eastern part of the block are not covered by seismic data. The operator has reportedly acquired a further 189 km of 2D seismic lines, which covers these two areas. At the time of writing, the data was reportedly being processed and hence, unavailable for this review.

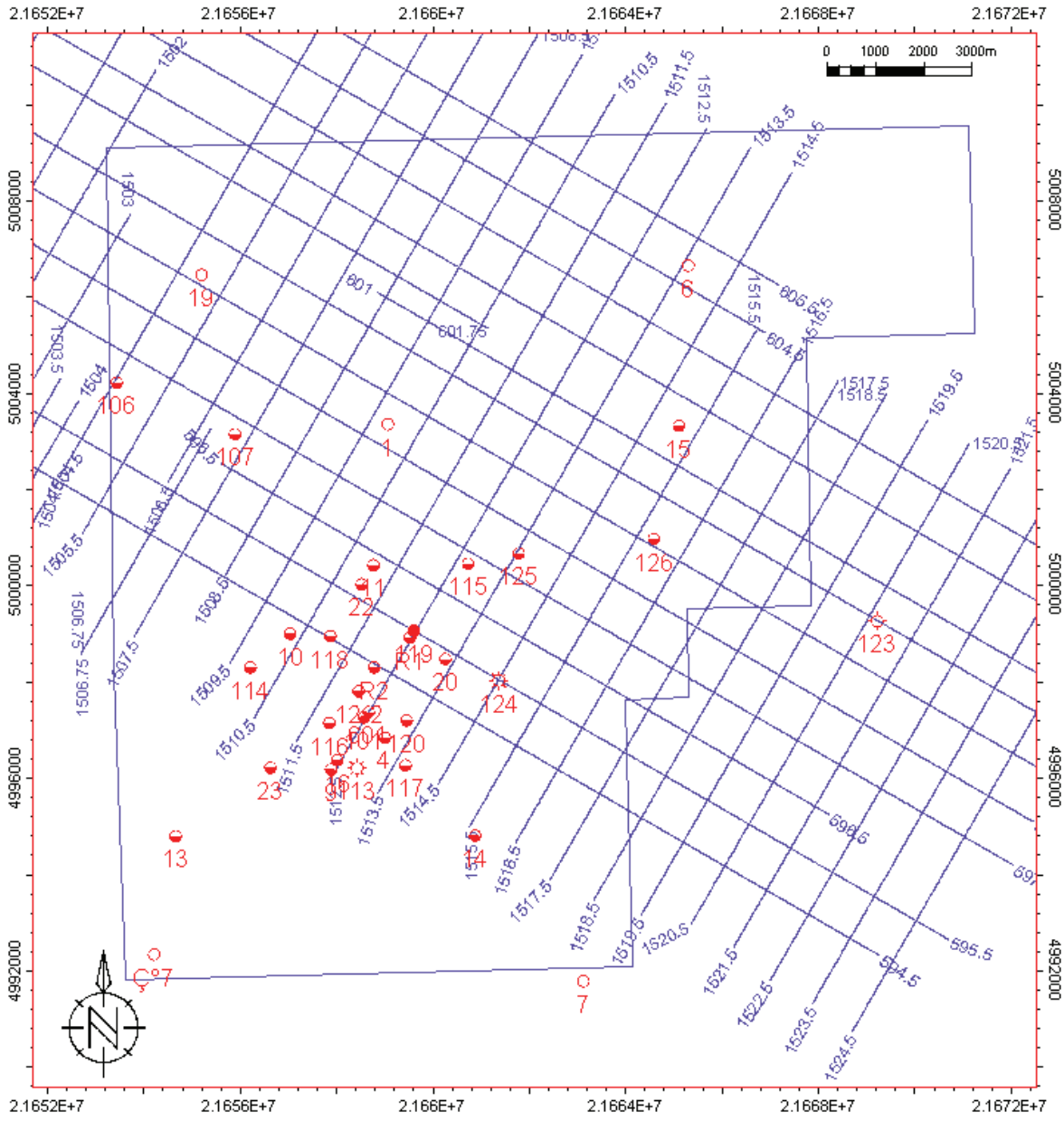
The data made available for GCA's review includes a Petrel project which contains the block boundary polygon; a set of 2D seismic data; some horizon interpretation, fault interpretation; depth maps; log data; well correlations; gross sand thickness maps; net sand thickness maps, and the set of polygons that Kingworld had used for their volumetric calculations. GCA was also supplied with ascii files of raw and interpreted log data and the information on how the volumetric calculations of the oil in place were performed.

Not all of the 35 wells included in the database have logs. No logs were available in the database for wells Fuyu 4, 7, 9, 11, 13, 19, 20 and 22. Although many of the wells were cored, only two wells have conventional core analysis reports measuring porosity and permeability.

1.3 Appraisal Data

GCA was provided with a study report comprising of three volumes: Volume I on geology which provides information on the various geological data and studies done leading to the oil in place calculations; Volume II on the engineering and oil production feasibility study, and; Volume III on the economics of the project. A summary of this report was also provided in a PowerPoint presentation format. The Production Sharing Contract (PSC) between Kingworld and the China National Petroleum Corporation (CNPC) was also made available.

Basic well information (location and elevation information) of the 31 recently drilled wells were provided, along with the wireline log data and formation tops. Basic information on the test data was also provided. No new mapping or updated volumetric works were provided.



Block Fuyu 1
Well Locations and Seismic Lines

Project:K1186.01 Apr09	Checked: SK	Fig 5

1.4 Reservoir Characteristics

The main reservoir rocks of the Fuyu and the upper part of the Yangdachengzi are found in the area at very shallow depths of 0 mSS, or higher at the crest of the structure, to 400 mSS. The reservoir depth is much shallower than the corresponding depth of the same reservoir in the neighbouring fields. In the XinMin Oilfield, the depths of the Fuyu sands are around 1,300 to 1,500 mSS.

The average total thickness of the reservoir over the Block is about 105 m. Net reservoir thickness averages 35 m in the Block. The reservoir is divided into 4 sand groups, starting from the top as follows: Sand Group I, Sand Group II, Sand Group III and Sand Group IV. The sand groups have similar gross thicknesses; however, Sand Group I exhibits a much thinner net reservoir rock than the other sand groups. The operator has further divided the sand groups into several layers each.

The reservoir comprises a sequence of thin sandstones with interbedded siltstones and shales. The sandstones are generally of fine to medium grain in size. The sand bodies are interfingering over the field. The sand layers are not easily correlatable over the field and some sands might form stratigraphic traps through pinch-outs. The porosity is good, with the majority falling in the range of 26 - 32%.

No oil water contact (OWC) has been found in the wells and only the Lowest Known Oil has been established in the Block.

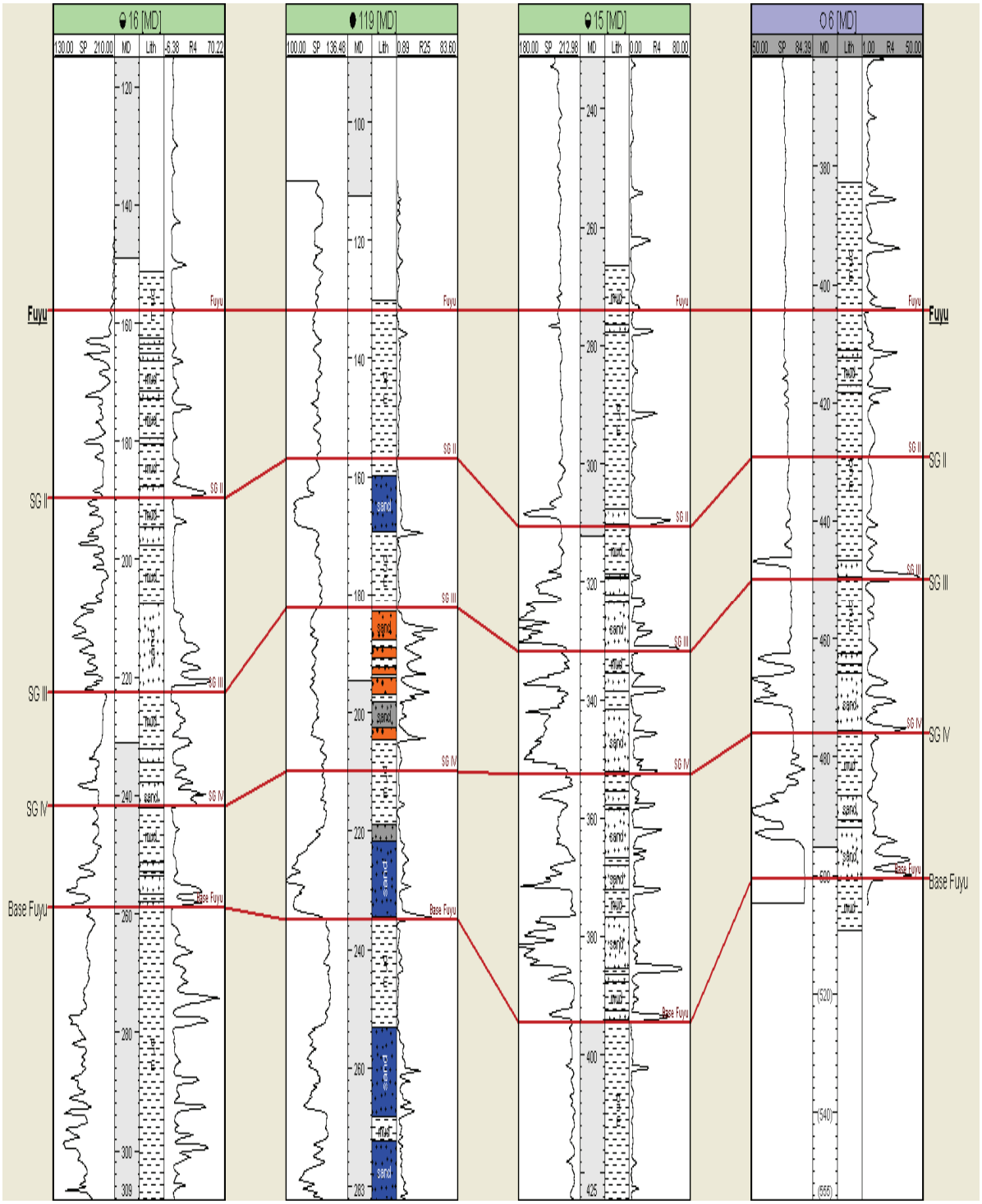
1.5 Correlation and Mapping

The well correlation provided by the operator was reviewed and updated wherever necessary. In general the work was found to be acceptable. Even though the log data set available is not of the best quality, the confidence in the correlation is fairly good in the center of the field. This was achieved through the availability of many wells in the crestal area. An example of the correlation is shown in **Figure 6**.

The seismic data available in the Petrel project was reviewed. Only part of the operator's horizon interpretation of the seismic data was available in the Petrel project. The complete seismic interpretation from Kingworld is only supplied in Geographix format, which GCA was unable to access. However, a review of the seismic well tie, the horizon interpretation and the resulting time and depth maps indicate that the seismic interpretation and mapping were robust. The final structure depth map was controlled by many well points.

The seismic data is of fair quality for the shallow Quatou Formation, with the top Fuyu fairly identifiable across the field. Synthetic logs were created for the newer wells and matched with the seismic picks.

The domal anticlinal feature which is the main trap in the Block is valid. Even though there is no seismic in its southwestern end, the available well data confirm that the closure is sealing.



Fuyu Reservoir Correlation in Fuyu 1 Block

Project:K1186.01 Apr09	Checked: SK	Fig 6

1.6 Petrophysics

GCA was supplied with a basic set of log curves for most of the wells in the Fuyu 1 Block area, plus the shale volume and porosity curves interpreted by the operator. For the older wells, the basic well log data available includes typically an SP log, deep and shallow resistivity logs and sonic logs. Some of the newer wells have additional GR and density logs. **Figure 7** shows an example of the log data available but the quality of the logs is not very good in the older wells. The porosity data measured from two of the cores were used as calibration.

GCA has not conducted a full petrophysical analysis, but has restricted its analysis to a spot check of a sample of data (16 wells) to compare with and test the assumptions and methods used by the operator to derive the volumetric estimates:

- **Shale Volume** - In the GCA analysis, shale content was determined from the SP logs or the GR log wherever available. It was found that the resulting shale volume estimates were similar to the values determined by the operator.

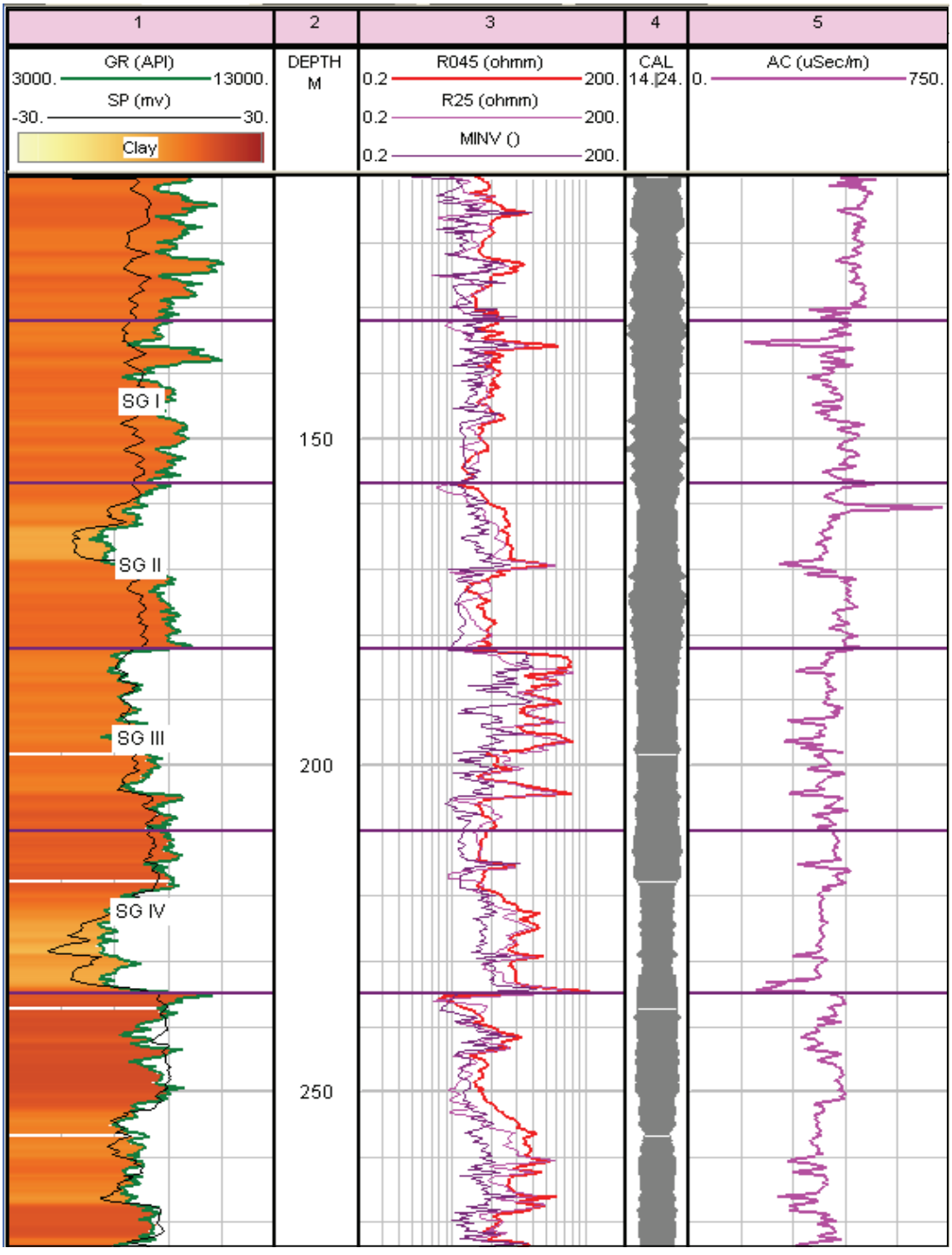
- **Porosity** - GCA calculated independent estimates of porosity for several wells using sonic logs in the older wells and density wherever available. The results are similar to those of the operator.

- **Net Effective Thickness** - The operator has not supplied the information on how the calculation of net effective thickness was made. GCA's Best Estimate, however, only differs slightly in the average net thickness compared to the average net thickness that has been used by the operator to derive their volumetrics. GCA's net effective thicknesses were derived using the following cut-offs: 40% Vclay, 15% porosity, and 40% water saturation. The effective pay maps provided by the operator were then used to estimate the Low, Best and High polygons for calculating the volumes throughout the field.

- **Oil Saturation** - GCA calculated independent estimates of oil saturation for several wells and found the results similar to those supplied by TRI-M.

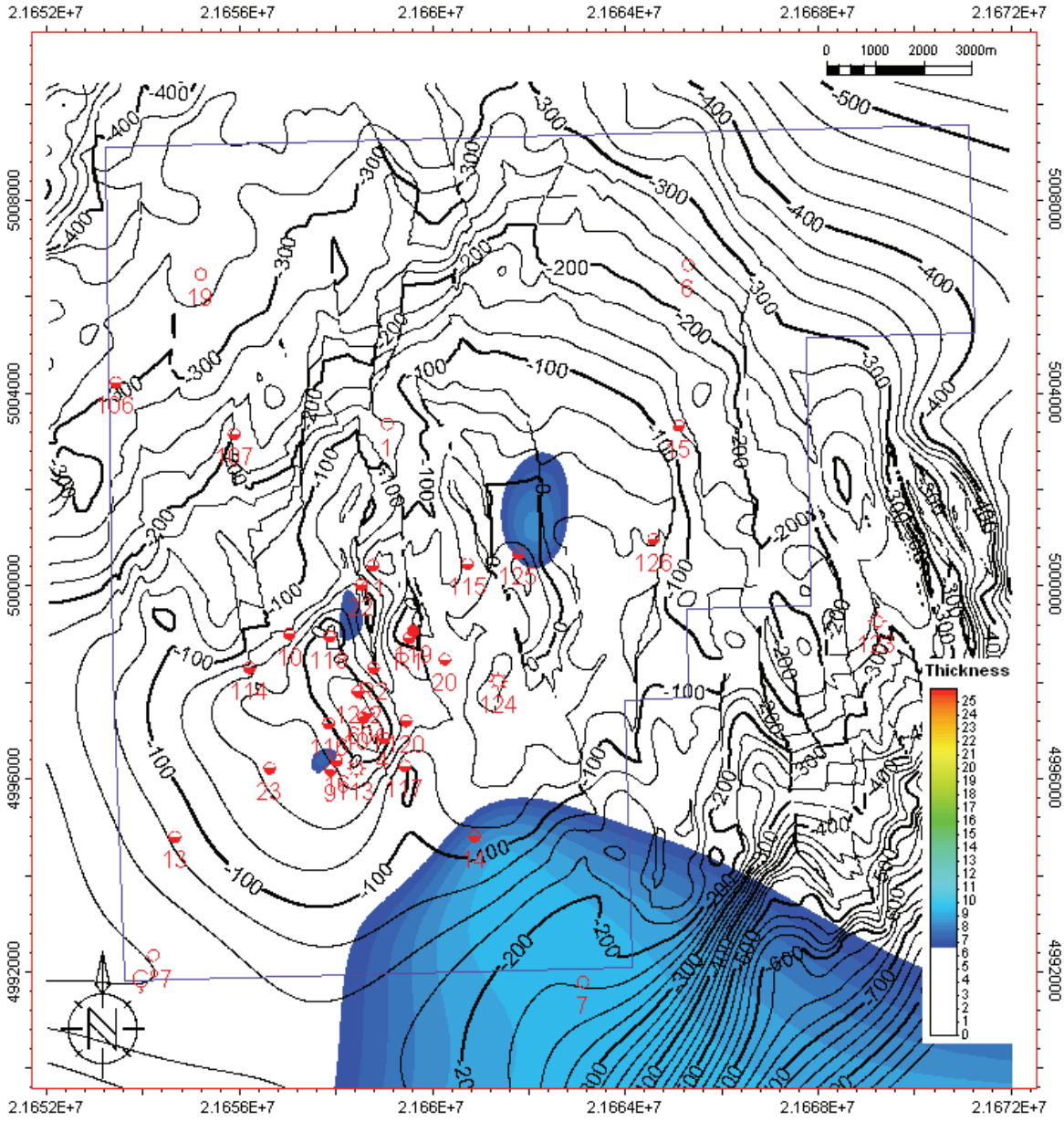
1.7 Volumetrics

Oil-in-place calculations incorporating gross rock volume (GRV) and petrophysical parameter ranges are presented in **Tables 3** to **5**. GCA calculated the volumes separately for each sand group, since the distribution of the net thicknesses is different for each sand group. GCA determined the polygons for Low, Best and High Estimate area for each sand group, taking into account the distribution of net thicknesses of 7 m and higher, which would be the minimum thickness needed for a successful thermal recovery process. The maps showing the distribution of each sand group with above 7 m net thickness are presented in **Figures 8** to **11**. It can be seen that the net sand distribution with minimum thickness for Sand Group I is very small and the resulting volumes are therefore minimal. The core development area is away from the volume of this Sand Group I which has been excluded from the total volumes of the field shown in **Table 6**. The polygons that have been used for the oil in place calculations are shown in **Appendix III**.



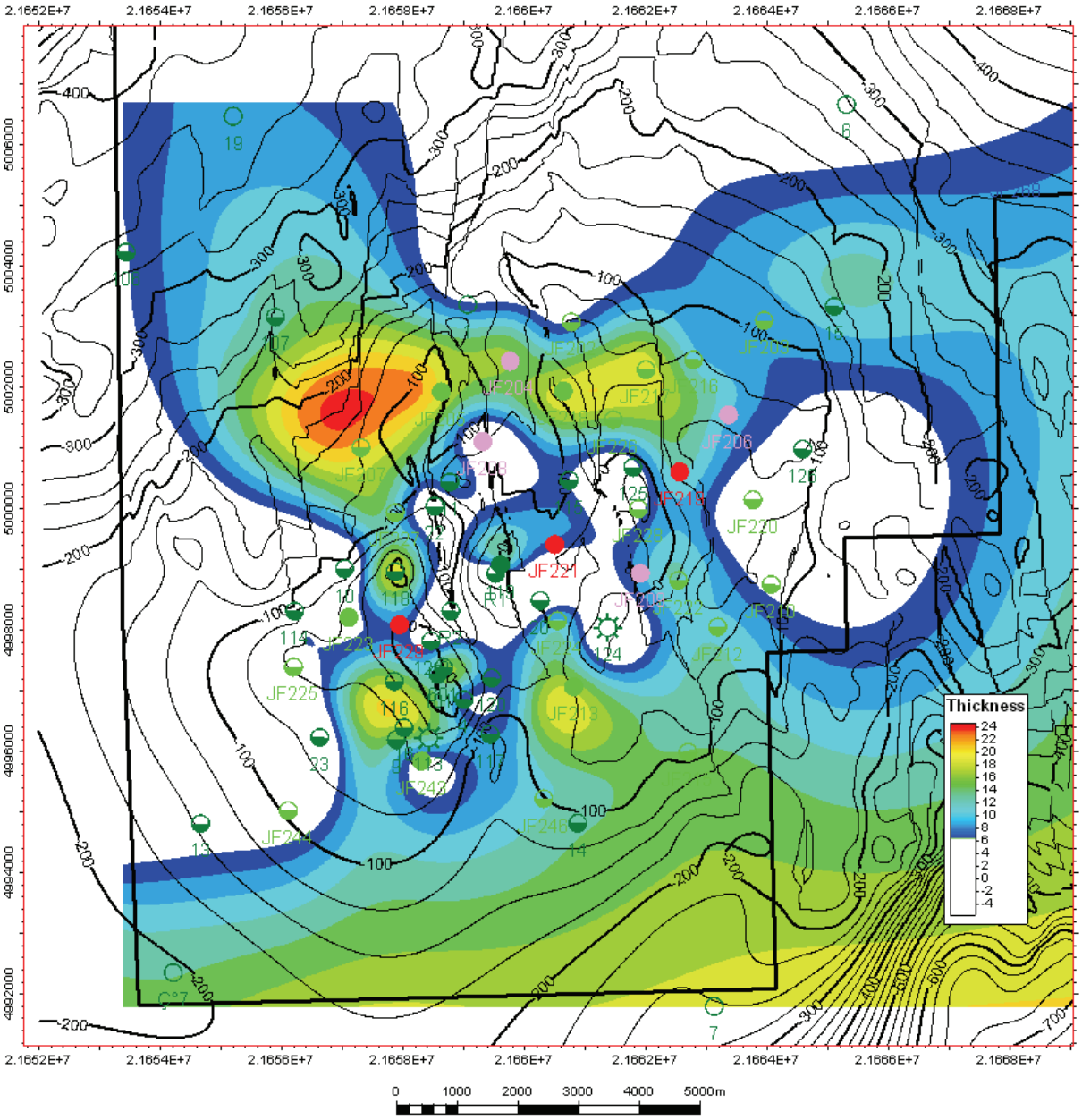
Well Fuyu - 119 Logs

Project:K1186.01 Apr09	Checked:	Fig 7



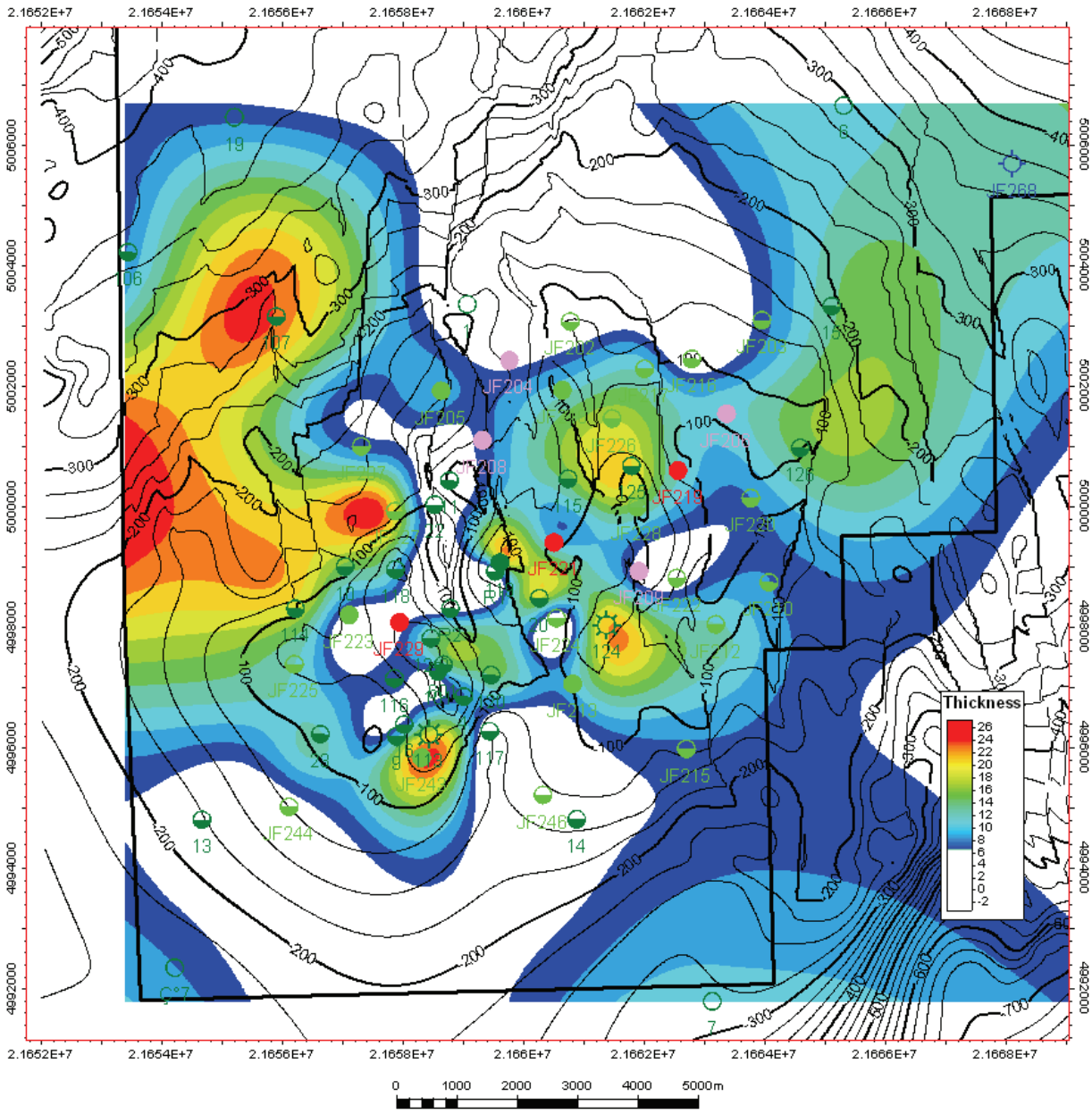
Net Thickness Map
Fuyu Sand Group I

Project:K1186.01 Apr09	Checked:	Fig 8



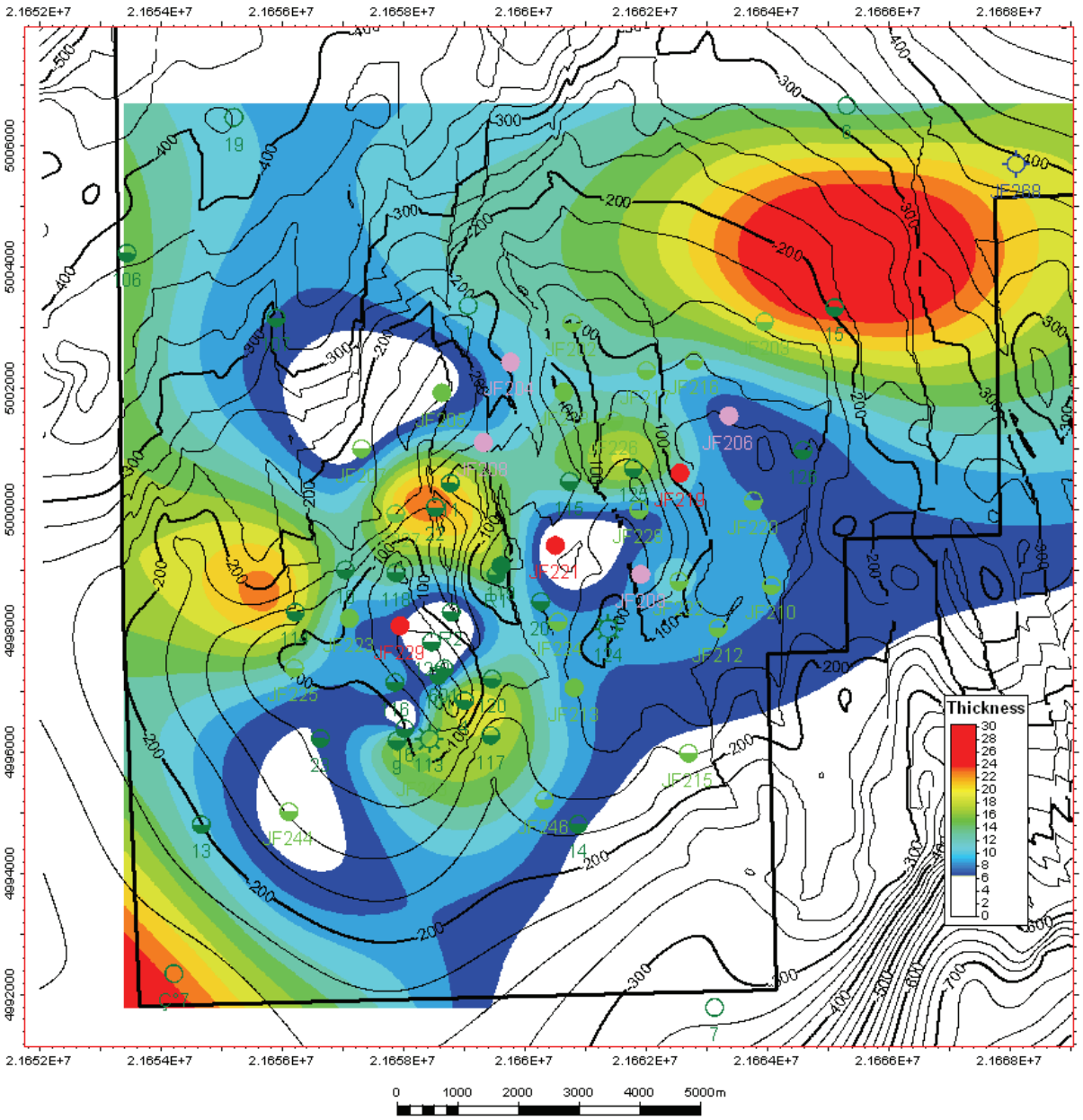
Net Thickness Map
Fuyu Sand Group II

Project:K1186.01 Apr09	Checked:	Fig 9



Net Thickness Map
Fuyu Sand Group III

Project:K1186.01 Apr09	Checked: SK	Fig 10



Net Thickness Map
Fuyu Sand Group IV

Project:K1186.01 Apr09	Checked:	Fig 11

TABLE 3

**FUYU SAND GROUP II RESERVOIR OIL INITIALLY IN-PLACE (STOIIP)
AS OF 31st DECEMBER, 2008
(100% GROSS LICENCE VOLUMES)**

	Low	Best	High
Estimated Area (m^2)	32,409,155	54,628,134	70,862,240
Average Thickness (m)	26.6	27.8	28.3
Gross Rock Volume (m^3)	700,224,553	1,340,815,088	1,839,972,064
Average Net Pay to Gross Sand	0.04	0.06	0.07
Average Porosity	29.2%	32.1%	33.0%
Average Hydrocarbon Saturation	71.0%	74.5%	75.7%
Formation Volume Factor	1.063	1.050	1.041
STOIIP (MMstb)	**31.88**	**114.28**	**186.20**
STOIIP (MMtonnes)	**4.82**	**17.26**	**28.13**

TABLE 4

**FUYU SAND GROUP III RESERVOIR OIL INITIALLY IN-PLACE (STOIIP)
AS OF 31st DECEMBER, 2008
(100% GROSS LICENCE VOLUMES)**

	Low	Best	High
Estimated Area (m^2)	24,623,469	35,080,444	64,498,714
Average Thickness (m)	23.2	24.4	24.9
Gross Rock Volume (m^3)	463,197,789	708,924,317	1,498,639,309
Average Net Pay to Gross Sand	0.05	0.08	0.09
Average Porosity	27.3%	29.6%	30.4%
Average Hydrocarbon Saturation	71.5%	74.0%	74.8%
Formation Volume Factor	1.063	1.050	1.041
STOIIP (MMstb)	**24.27**	**73.62**	**186.01**
STOIIP (MMtonnes)	**3.67**	**11.12**	**28.10**

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TABLE 5

**FUYU SAND GROUP IV RESERVOIR OIL INITIALLY IN-PLACE (STOIIP)
AS OF 31st DECEMBER, 2008
(100% GROSS LICENCE VOLUMES)**

	Low	Best	High
Estimated Area (m^2)	12,684,588	33,212,588	78,169,987
Average Thickness (m)	23.7	25.3	26.1
Gross Rock Volume (m^3)	272,450,929	660,943,314	1,807,945,236
Average Net Pay to Gross Sand	0.06	0.09	0.10
Average Porosity	29.9%	32.7%	33.7%
Average Hydrocarbon Saturation	68.5%	70.1%	70.6%
Formation Volume Factor	1.063	1.050	1.041
STOIIP (MMstb)	**19.48**	**84.29**	**270.29**
STOIIP (MMtonnes)	**2.94**	**12.73**	**40.83**

TABLE 6

**FUYU 1 BLOCK OIL INITIALLY IN-PLACE (STOIIP)
AS OF 31st DECEMBER, 2008
(100% GROSS LICENCE VOLUMES)**

	Low	Best	High
STOIIP (MMstb)	**75.63**	**272.19**	**642.50**
STOIIP (MMtonnes)	**11.42**	**41.12**	**97.05**

Note: Sand Group I not included because the volumes are very small & the sands are located away from core development area.

Checked: SK Approved: DJ

Oil-in-place calculations were based on the gross rock thickness derived from the structure maps, together with the calculated parameters for the main reservoirs (porosity, oil saturation, oil shrinkage factor).

STOIIP calculations made by GCA are lower in the Low Case, slightly lower in the Best Case and much higher in the High Case than those reported by the operator. This is due to the lower net pay thickness in the Low Case and the higher net pay thickness in the High Case. The operator used the same set of petrophysical parameters (porosity, water saturation and oil shrinkage factor) in all the three cases, while GCA used a range of values. The wider range of oil in place values in the GCA calculations reflects the current uncertainties and immaturity of the project. As the uncertainties reduce with drilling of more wells away from the crestal area, the range should narrow.

2. HEAVY OIL PILOT TEST DESIGN AND FIELD DEVELOPMENT CONCEPT

2.1 Overview of the Kingworld Concept Study

A concept study was undertaken by Kingworld to identify the hydrocarbon potential in Fuyu 1 Block and technical feasibility of different thermal recovery methods for producing the heavy oil from the Fuyu reservoir. Based on the available data, the feasibility report encompasses the geological modeling, reservoir evaluation and field development method practiced in the area. In addition, an economic evaluation of the feasible options was performed with the Contingent Resource evaluation, reflecting the schemes for development and corresponding hydrocarbon recovery potential from such processes. Based on the screening study, two suitable well patterns were adapted for the pilot steam flooding appraisal test in the Block. The selection of the pilot test scheme is based on the extensive experience and database of such developments over the last three decades in China.

The team, consisting of Zhang Xi'an and Liu Taixun, was led by Prof. (Dr.) Liu Huiqing of China University of Petroleum, Beijing (CUPB) concluded the study with the following observations:

1. The Huff 'n' Puff and Steam Flooding process is feasible in the Fuyu 1 Block. The estimated Recovery Factor in the Fuyu reservoir ranges from 33% to 37%, with an average value of 35%.
2. The Fuyu 1 Block development is planned in the form of a series utilizing a square grid pattern with a well spacing of 100 m.
3. Development Scheme I is based upon the Best Estimate area and Development Scheme II is based upon the High estimate area.
4. The NPV for Kingworld, CNPC and the Government Contractor is greater than zero and IRR is greater than the required basic rate of return. This project was thus considered as profitable, but recognizes that risk mitigation measures should be taken, as follows:
    a. Improve Contractor competence
    b. Improve Project Management
    c. Reduce risk by getting other companies to invest in the program

GCA is of the opinion that the feasibility study is a reasonably competent piece of technical work performed by local experts in the field, recognizing that there are a number of risks associated with economic development. There is no oilfield development with thermal recovery of heavy oil in Jilin province. Hence, there is no direct analogue on which to base the study. The CUPB feasibility study is based on analogues drawn from other basins. Although China is the fourth major producer of thermally recovered oil, this report can be only considered as a concept basis for a Pilot Test and outline investment decision. GCA is aware of other thermal recovery projects in the region, but a more informed study for Reserve estimation as per SPE Guidelines can only be performed after the results of the Pilot Study are available.

GCA notes that the key petrophysical properties of the oil saturation, effective thickness and the permeability of the reservoir layers in the Fuyu 1 Block are lower than the generally recommended standard parameters suggested for thermal recovery of oil in China. The Fuyu 1 Block has very limited flow test data from one well in 1984 and few months from the recent wells. The oil shows across the field have not been supported with actual fluid sampling. However, the shallow nature of the reservoir may be cost effective for field development and the Pilot Study needs to be performed to confirm the viability of the project.

2.1.1 Fuyu 119 Well Test

The Fuyu 119 well was perforated across two layers (182.8 - 187.6 m and 189.0 - 190.8 m) totalling 6.6 m during the conventional test from 14th to 21st August, 1984, and it produced non-commercial oil by bailing the well three times a day. This was followed by a Huff 'n' Puff well test with the injection of 800 tonnes of steam (121 tonnes per meter of thickness). The steam was injected at a rate of 5.55 tonnes per hour at a pressure of 4.36 MPa and temperature of 255.2° C. The well was allowed to soak the formation for 51 hours, and thereafter the well flowed 208 tonnes of liquid in 5 days. The initial production was 8.7 tonnes of oil per day which declined over 35 days to a cumulative production of 80 tonnes of oil (an average production of 2.38 tpd of oil). The test was impaired by a failure of the pump but the test has confirmed thermal recovery of oil is "possible" from the Fuyu reservoir in the Block.

The Fuyu reservoir fluid properties in the Block range from a specific gravity of 0.93 to 0.98 gm/cc and viscosity from 718 to 2,700 cP at 50° C. Average paraffin content is 21.8% while bitumen content ranges from 36.8 to 43.5%. Specific gravity of oil was also measured in wells Fuyu 3-2 (0.95 at 30° C), Fuyu 4 (0.93 at 26.5° C) and Fuyu 101 (0.96 at 20° C and 0.94 at 50° C) but the fluid data is incomplete.

The reservoir fluid of the Fuyu 1 Block (based on the Fuyu 119 well) is similar to the crude produced in Xinjiang, Liaohe (Gaoshenggao 3), Shengli and Henan. The linear sensitivity of crude oil viscosity to temperature has been plotted in **Figure 12**. The temperature sensitivity of residual oil saturation of Fuyu 1 crude and anticipated Recovery Factor of the sample from well Fuyu 119 is presented in **Figure 12**.

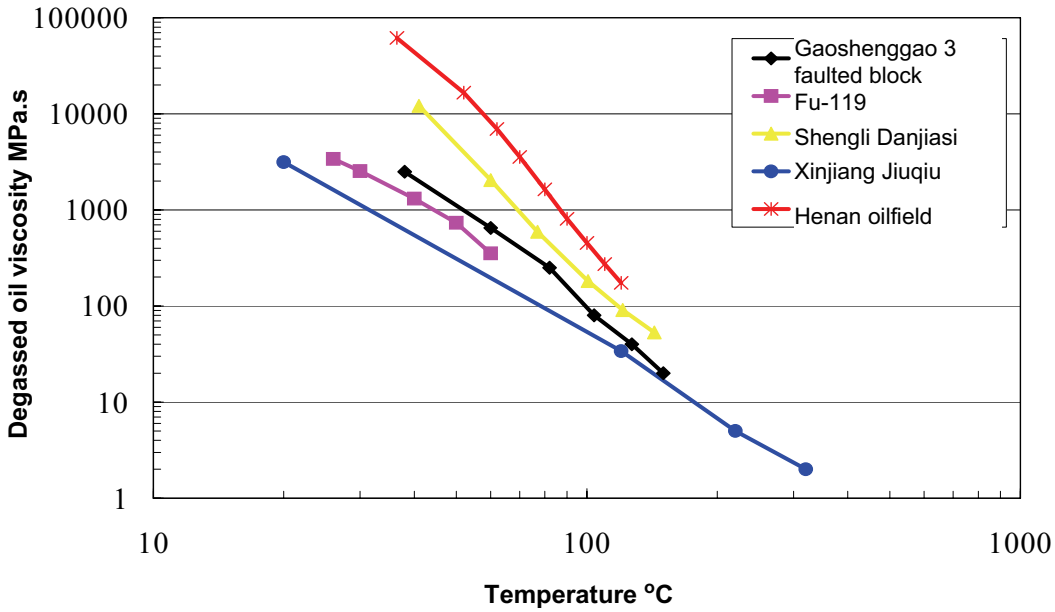
2.1.2 Thermal Recovery Methods

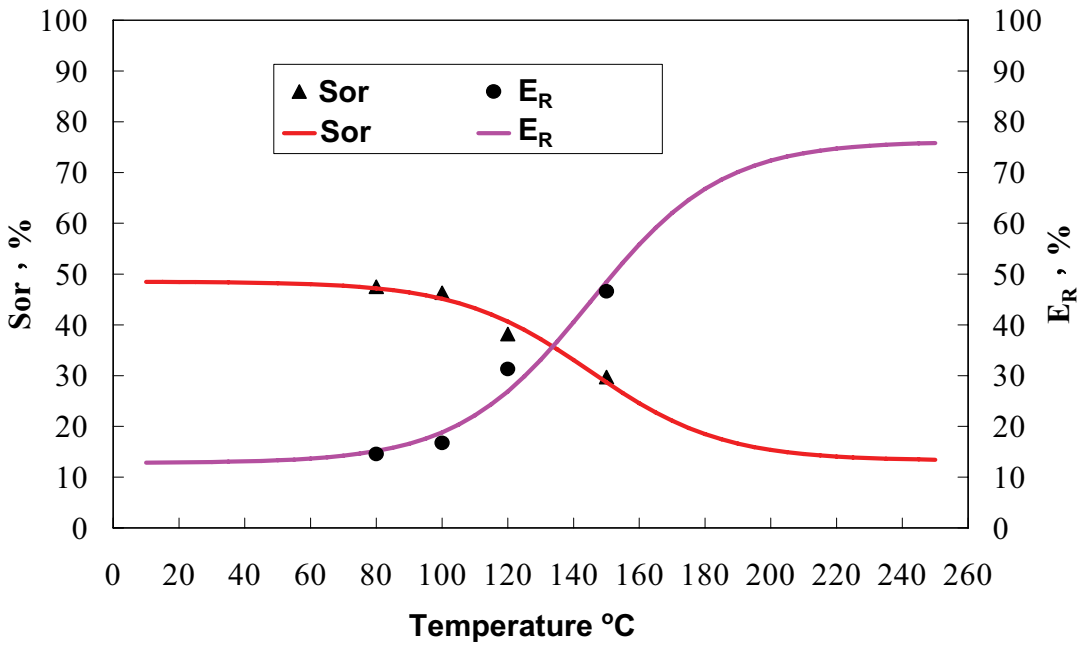
The Fuyu reservoir depth ranges from 130 to 400 m. CUPB observed an average reservoir thickness of 15 m, permeability of 160 mD and oil saturation ranging from 35 - 55%. GCA has interpreted slightly different values based on the petrophysical cut offs.

The Huff 'n' Puff process has three stages consisting of steam injection into the formation and thereafter the well is kept "shut in" for some time to soak the formation prior to opening it for producing oil. A comprehensive **Steam Flooding** is a more sustained approach to thermal recovery of oil. Investment in the Huff 'n' Puff method is much lower than a comprehensive Steam Flooding of the reservoir. The comparison of the standard guidelines with the petrophysical properties of the reservoir in Fuyu 1 Block interpreted by Kingworld confirms that it is suitable for both Steam Flooding and Huff 'n' Puff methods of thermal recovery.

The selection basis for Huff 'n' Puff or Steam Flooding and single injector well enhancing thermal recovery of oil from multiple producer wells has been presented in **Table 7**. The analogous standard parameter derived from the experience of similar projects in China has been used in the table as guideline in the absence of a Pilot Study.

The Fuyu reservoir in the Block has relatively low pay thickness, low oil saturation, has varying shale density and is compartmentalized by faults. Hence, there is both the possibility of heat loss in the thin layers and the inability to communicate across barriers to the producing well.





Note: Courtesy China University of Petroleum, Beijing

Temperature Sensitivity of Viscosity and Oil Saturation

Project:K1186.01 Apr09	Checked:	Fig 12

TABLE 7

COMPARISON OF HUFF 'N' PUFF AND STEAM FLOODING STANDARDS

Reservoir Parameter	Standard Guidelines			Henan Jinglou	Fuyu 1
	Huff 'n' Puff	Steam Flooding	Steam Injector with Multiple Producer		
Typical Reservoir Depth (mSS)			<1,400		
Crude Oil Viscosity (cP)	10,000 - 50,000	50 – 10,000	<10,000	5,745 - 85,400	5,600
Specific Gravity	0.95 - 0.98	0.92 - 0.95	0.92 - 0.98	0.95	0.95
Gross Reservoir Thickness (m)	<1,000	150 - 160	<1,000	102 - 401	130 - 400
Effective Thickness (m)	> 10	> 10	7-60	18.9	7.0
Porosity, Φ (%)	≥ 20	≥ 20	≥ 20	32	26.8
Initial Oil Saturation, S_{oi} (%)	≥ 50	≥ 50	≥ 45	65 - 75	35 - 55
$\Phi * S_{oi}$	≥ 0.1	≥ 0.1	≥ 0.1	0.224	0.12
Permeability, K ($10^{-3}\mu m^2$)	≥ 200	≥ 200	≥ 200	1,670	158
Typical Reservoir BHP, (MPa)		> 2.5			2 - 4

Note: Courtesy data from China University of Petroleum, Beijing

Checked: Approved:

GCA notes that the key petrophysical properties of oil saturation, effective thickness and the permeability of the reservoir layers in the Fuyu 1 Block as interpreted by Kingworld is lower than the recommended standard parameters for thermal recovery of oil. However, the shallow nature of the reservoir might still be a benefit towards cost effective development and a Pilot Study needs to be performed in order to investigate the viability of the project. The possibility of lighter oil trapped within the heavy oil can be an upside if established through the appraisal process.

2.1.3 Empirical Basis

Typically, the Huff 'n' Puff method relates to a Recovery Factor (RF) ranging from 12 to 28%, with an average of around 20% while subsequent Steam Flooding corresponds to a net RF of 20 - 40% or an average of 30%. CUPB has empirically estimated the Fuyu 1 Block RF of 15% from Huff 'n' Puff and a further 22.5% from subsequent Steam Flooding corresponds to a total recovery of 37.5%.

The net to gross thickness ranges from 30-75%, porosity is between 25 - 35% and the permeability ranges from 100 to 3,040 mD. The viscosity of the oil is in the range 100 to 50,000 cP. Based on these parameters, the equation (1) given below can be applied to estimate the Recovery Factor for the Huff 'n' Puff method.

$$RF = 21.14 + 17.95h_r - 3.3V_{DP} + 0.028h_o + 0.1366\lg k - 3.067\lg \mu_o \qquad (1)$$

Steam Flooding is possible in reservoirs with moderate to high porosity and permeability and effective net pay thickness of more than 7 m, with a net to gross ratio of 40%. This is applicable only where prolific edge or bottom water is not active. The viscosity of the oil should be less than 20,000 cP and oil saturation should be more than 45%. In such cases, the equation (2) given below can be applied to estimate the Recovery Factor for the Steam Flooding process.

$$RF = 10.88 + 2.82h_e - 0.044h_o^2 + 2.74\lg \mu_o - 1.41\lg^2 \mu_o + 62.04S_o + 5.56V_D - 39.52V_D^2 - 131.48\lg^2 h_r \qquad (2)$$

	Parameters
• h_r: Net to Gross	0.47
• h_0: Effective thickness	7.0 m
• K: Average permeability	158x10^{-3} µm^2
• μ_o: Viscosity	5,600 cP
• ϕ: Porosity	0.268
• D: Depth of the middle portion of the reservoir	300 m
• V_D: Reservoir variation coefficient	0.7
• S_o: Oil saturation in steam flooding	0.45

The Huff 'n' Puff method suggests a Recovery Factor of 16.10% for equation (1). Similarly, in the Steam Flooding case, the Fuyu 1 Block reservoir provides for a Recovery Factor of 17.23% based on equation (2). Thus, maximum RF for the Fuyu 1 Block is estimated as 33.33%.

Given the complexity of the three major sand groups, difficulties of the well completion matrix and lack of the full comprehensive pilot test, GCA considers the Recovery Factors assumed by the operator to be on the high side. In general, GCA assumes a range of Recovery Factor from 16.7 to 30.5%, to be reasonable for comparing the 1C to 3C Contingent Resources.

2.1.4 Reservoir Simulation Models

A laboratory simulation study of flow testing through similar sand samples was performed by CUPB. The test equipment consisted of a sand-filled tube, steam generator, liquid saturation system and data collection system. Correction has been applied to the laboratory test to match it with actual formation conditions, including the impact from permeability variation and well completion method.

$$RF = (1-S_{or}/(S_{oi}(1-V_D^2E_S))\, C_PC_X$$

Where $C_X = e^{a(x-1)}$

E_S : displacement efficiency
S_{or} : residual oil saturation after displacement
S_{oi} : initial oil saturation of the sand filled tube
V_D : permeability variation coefficient
C_P : well pattern efficiency
C_X : steam quality correction coefficient
x : steam quality at well bottom
a : regression coefficient (0.1-0.3)

Six sand-filled tube models were tested, including two similar models to simulate the heterogeneous properties of the reservoir. The sand was compacted and tested for porosity and permeability in water saturated and pressurized reservoir conditions. The degassed viscosity and bitumen content at ambient conditions of the oil sample used in the test was similar to the oil from well Fuyu 3-2. The composition of water used was based on the analysis of the water from the Fuyu 1 Block. After correction, the Recovery Factor of experimental models 1 and 2 was 33.70% and 33.25% respectively.

A numerical simulation was performed based on Fuyu reservoir petrophysical parameters with three different well spacing patterns of inverted 5-spot, inverted 9-spot, inverted 13-spot, and the spacing between wells were considered for both 70 m and 100 m cases. The average of these patterns and inter-well spacing suggested an anticipated recovery factor of 36.93% from Fuyu 1 Block.

GCA has not been provided with the detailed test report and is not in a position to verify the test set-up, but the outcome seems to be reasonable.

2.2 Pilot Test Design

The Fuyu reservoir in the Block consists of four sand groups with multiple layers. The thickness of the first group varies from 1 to 8.5 m with a maximum thickness of 15 m. The second group has a gross thickness of 35 m with net thickness in the range of 3.5 to 16.5 m. The third group has a net thickness ranging from 5 to 8 m. The fourth group has a net thickness ranging from 10 to 15 m out of a gross thickness of 25 m. In the field, the Fuyu and upper part of Yangdachengzi reservoirs are developed with a gross thickness of 100 m and a net thickness of 15.2 m. The Pilot Study is intended to acquire more logging, perforation, test data and determines the optimal recovery technique and field development concept. Vertical wells can be drilled at reasonable cost but a combined pattern of horizontal and vertical wells may be more effective. The reservoirs are heterogeneous in lateral distribution and the thermal recovery pilot test design was based on the following principles:

i. Geological character of the site should be typical to the field.
ii. Pilot site should be near wells which had successful Huff 'n' Puff well test.
iii. The location should be far away from edge water for realistic results.
iv. The reservoir at the site should have reasonable pay thickness, seal and STOIIP.
v. Production from reservoirs with dissimilar features should not be commingled during the test.
vi. The Pilot Study location should have easy access with minimum construction and facility cost.

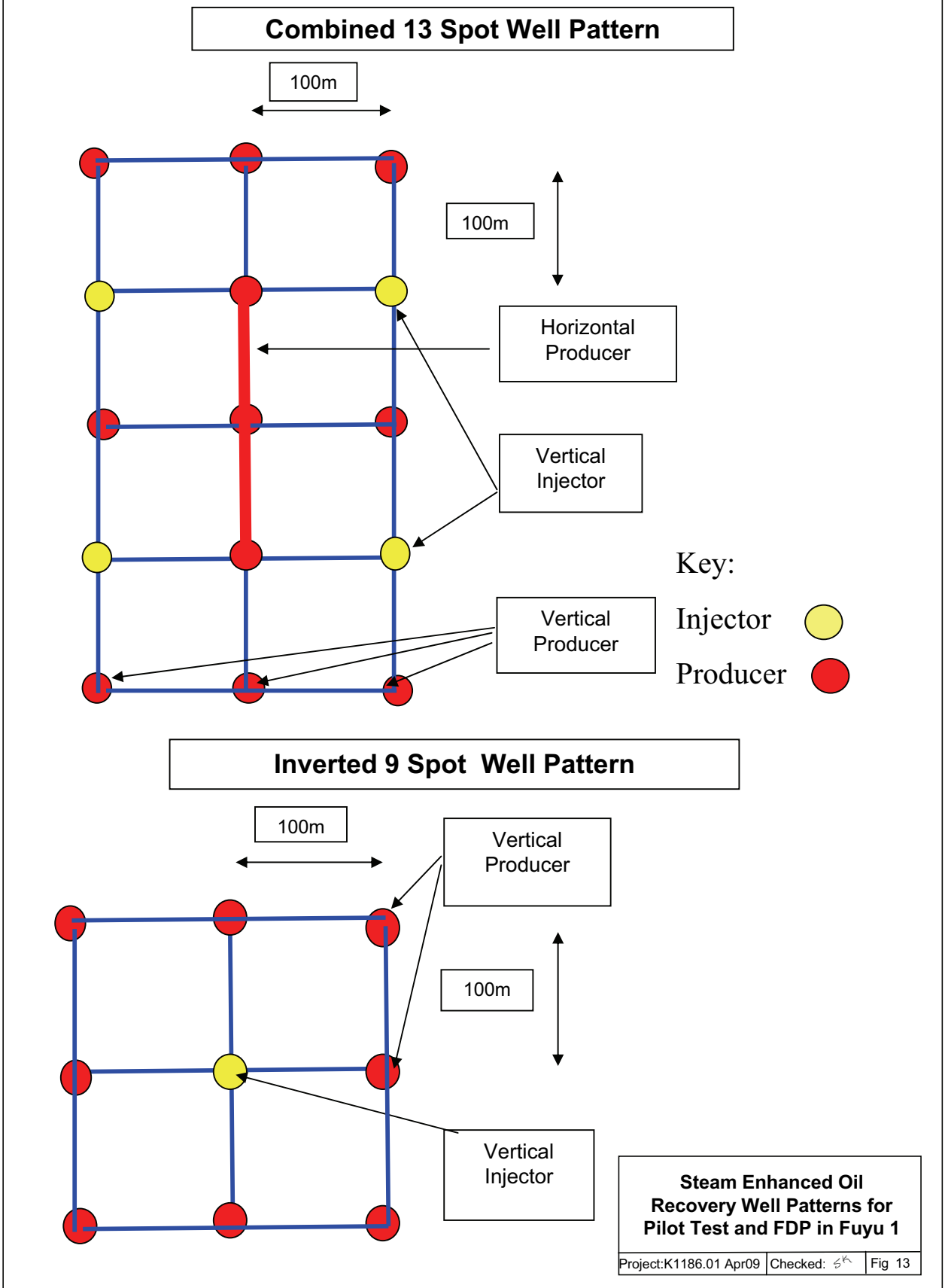
2.2.1 Well Pattern Selection

The purpose of the Pilot Study is to simulate and study the behaviour of different well patterns consisting of vertical well, horizontal well and combined vertical-horizontal wells. A square grid pattern provides the scope for future infill wells and to integrate the Pilot Study with the overall development scheme. As an example, a 5-spot square well pattern with a 200 m well spacing between them can be added with four infill wells to convert it to a 9-spot well pattern with a spacing of 100 m; with the spacing reduced to 70 m for the second infill drilling campaign. The horizontal wells are likely to be more expensive and more vertical wells have been preferred for the initial pilot test.

The inverted 5-spot well pattern has 1:1 ratio between the injector and production wells. The ratio of injector to producer in the inverted 9-spot pattern is 1:3, and in the combined 13-spot well pattern it is 1:2. The Pilot Study is based on two well patterns consisting of inverted 9-spot well pattern and 13-spot combination well pattern (12 vertical wells with 100 m well spacing and 1 horizontal well in the middle). The well patterns suggested for the Pilot Study and potential field development are presented in **Figure 13**.

2.2.2 Steam Injection Process

The reservoir in the Fuyu 1 Block has lower petrophysical properties, than the other thermal recovery projects in China, and the Huff 'n' Puff method is lower risk process than Steam Flooding. A 50 m heat impact radius and a well spacing of 100 m can allow good steam to oil recovery ratio with optimum perforation to match the thickness of the reservoir in the immediate vicinity. The low permeability, shale barriers and fault compartmentalization present a few risks to the steam flooding process, but this is the only method to maximize recovery from such reservoirs and has to be adopted after initial Huff 'n' Puff.


Combined 13 Spot Well Pattern
100m
100m
Horizontal Producer
Vertical Injector
Vertical Producer
Key:
Injector
Producer
Inverted 9 Spot Well Pattern
100m
Vertical Producer
100m
Vertical Injector
Steam Enhanced Oil Recovery Well Patterns for Pilot Test and FDP in Fuyu 1
Project:K1186.01 Apr09
Checked:
Fig 13

i. The plan is to have one stage of Huff 'n' Puff every six months and a total of six stages in a 3 year period before commencing comprehensive Steam Flooding. In the first stage, a steam volume of 40 tonnes/meter thickness in a vertical well and 20 tonnes/meter in a horizontal well is injected into the well. The well is "shut in" during the soaking time (3 days for vertical wells and 7 days for horizontal wells). In every subsequent stage the steam volume should increase by 10%. The 70% dry steam at 265^{o} C should be injected at 5 to 7 tonnes/hour and 4.5 MPa (653 psi).

ii. In Steam Flooding 70 % dry steam is to be injected at 1 tonne/meter.

Huff 'n' Puff followed by Steam Flooding was considered for different well spacing against the potential net recovery and study suggests that for all cases the best recovery results from around 100 m well spacing.

2.2.3 Artificial Lift Method

Three potential artificial lift schemes were considered, such as, electrical submersible pump (ESP), sucker rod pump and progressive cavity pump (PCP). The ESP has the lowest power consumption at greater depth but it is not suitable for the very high temperature application during the steam injection process. Hence, the focus is on mechanical pumping methods either by sucker rod pump or by PCP. The performance of a PCP is better than a sucker rod pump in shallow reservoirs, as found in the Fuyu 1 Block. The mechanical efficiency of a PCP is 50 - 60% against 30 - 40% for the sucker rod pump. In all cases the PCP has to be placed just above the target reservoir.

3. FIELD DEVELOPMENT PLAN

3.1 Overview of Similar FDPs

Field development by enhanced oil recovery (EOR) methods in the major petroleum production regions of United States and Russia has been a recent trend. United States, Canada, Venezuela and China together account for 92% of the EOR projects in the world. Often heavy oil has been discovered and produced by cold processes, but the Recovery Factor is seldom greater than 6 - 10%. The remaining recoverable heavy oil from such projects in the world has been estimated as 11.8 trillion barrels by the Oil and Gas Journal (Issue: November 05 and 12, 2007). Thermal recovery of oil is one of the established EOR techniques, and the Huff 'n' Puff method is the easiest form of it, but higher net recovery is achieved by Steam Flooding. Under very favorable reservoir conditions, the Steam Flood EOR method has been as high as 70% of the STOIIP. Alberta in Canada, California in United States, Orinoco in Venezuela, North Sea and Xinjian, Liaoning, Shengli and Henan in China are some of the most famous thermal oil recovery provinces. Kern River and San Joaqim basin in California and Peace River Carmon Creek projects in Alberta are well documented successful Steam Flood projects.

The Canadian and Venezuelan heavy oil production typically has a CAPEX component of U.S. $ 4.30 to U.S. $ 6.25 per barrel of oil, and an OPEX component of around U.S. $ 17 per barrel of oil (including the cost of steam generation). The high price of oil in recent years has made the thermal recovery of heavy oil a lucrative business. Duri Field in Indonesia, Mukhaiza in Oman, Patos-Marinza in Albania and neutral zone between Saudi Arabia and Kuwait are some major steam flooding projects that have come on stream in the last 2 - 3 years. This trend is also evident in the recent initiatives in the Songliao Basin (Jilin) and Liaohe Basin (Liaoning) of China.

3.1.1 Karamay

The shallow Qigu Formation is the producing horizon in the Karamay Oilfield in the Junggar Basin of Xinjiang province. The formation, ranging in vertical depth from 150 to 250 m, has been subdivided into three major zones (G1, G2 and G3) and has gross sand thicknesses of 90 to 130 m (110 m average). The principal G2 reservoir package has a medium to coarse-grained sandstone, is poorly consolidated, has an average porosity of 30% and permeability in the range of 1.5 to 2 Darcies.

Karamay was developed in 1955 but the shallow Qigu reservoir was only discovered in 1983, followed by Huff 'n' Puff stimulated production from 1985. After several cycles of injection and production, the process was less effective as near-wellbore oil is depleted while considerable unswept oil volume remains further away. The steam stimulation project was gradually converted to well patterns with steam injection into one well driving the oil towards the surrounding producers.

Analytical calculations and numerical simulation confirmed that the average steam heating radius is 30 - 40 m with a maximum of 60 - 80 m. A well spacing of 100 m x 140 m left significant area un-swept and Xinjiang Petroleum Administration Bureau in 1991 reduced inter-well spacing with infill drilling and changing the same to inverted 9-spot pattern with 70 m x 100 m well spacing grids. This infill drilling and process change might increase the estimated recovery from 33% to 45% of STOIIP.

3.1.2 Leng Jiapu Oilfield

The Leng Jiapu Oilfield near Panjin City in the Liaoning Province covers 270.8 km^2 in the Western Depression of the Liaohe Rift within the Bohai Basin. The field is highly compartmentalized and contains crude oil reserves in four different reservoir horizons. The reservoir lithologies from three Cenozoic sedimentary facies are mainly poorly sorted, low maturity, unconsolidated conglomerates and sandstones, with an average porosity of 17% - 21%. In the younger Dongying formation the reservoir sedimentary facies are physically similar with an average porosity of around 27%.

Development of Leng Jiapu commenced in 1991. The majority of the hydrocarbon accumulations in the field contain heavy oil; and cyclic steam simulation, or Huff 'n' Puff, has been implemented to boost production levels. Modest Recovery Factors have been assumed by Liaoning Petroleum Exploration Bureau (LPEB), ranging from 13% to 18% in the main project area, depending on the crude gravity, reservoir properties and the recovery mechanism. These Recovery Factors are consistent with GCA's opinion of an average value of 16.3% for Huff 'n' Puff method. Preliminary calculations by LPEB, however, indicate that recoveries can improve by intensive infill drilling and Steam Flooding instead of Huff 'n' Puff, to the order of 30%.

3.1.3 Gaosheng Gao 3

The Gaosheng field in the Panjin County of Liaoning province was discovered by CNPC in 1976 and the light oil has been produced since 1977. The heavy oil reservoir is at a depth of around 1,500 to 1,700 m. The reservoir in the Gaosheng Gao 3 Block has an average porosity of 24% and oil saturation of 60%. The crude oil has a specific gravity of around 0.95 and viscosity of 518 cP. A comprehensive Steam Flooding pilot study was conducted in 2000 - 2001 with inverted 9-spot pattern in the 3-3-76 group of wells with very encouraging results.

3.2 Fuyu 1 Field Appraisal and Development Basis

The Production Sharing Contract (PSC) specifies three stages consisting of Evaluation or Appraisal, Development and Production. The Evaluation and Appraisal program has been committed as the minimum work program in the PSC. The Appraisal stage should confirm the 1C Contingent Resources or STOIIP and location for a Pilot Study. Stepping out from 1C area should reduce the exploration risk and minimise sub-surface "surprises", and gradually the Pilot Study area can be scaled-up to a full field development. The Appraisal stage, including the Pilot Test, should validate the appropriate thermal recovery process for the overall field development and associated production and cost forecasts. During this phase, it should be possible to determine the Reserves in the Block, and have the Overall Development Plan (ODP) approved by the partners and the Government. The Production stage would then follow the field development stage.

The well pattern can be considered as an independent unit. The inverted 9-spot well pattern consists of 1 steam injector and 8 production wells in a unit area of 40,000 m^2, based on a well spacing of 100 m. The external production wells are shared with the adjoining unit pattern of wells and it bears 1:3 ratio of injector to producer. Similarly, in the combined 13-spot well pattern there are 4 vertical injectors and 8 vertical producers which are shared with the adjoining unit, plus a production well with a 300 m horizontal section in the middle of the unit. This pattern covers an area of 80,000 m^2. Actual oilfield geometry may require a slightly different number of wells than the concept estimate. The ratio of the injector to producer wells is 1:2 and ratio of horizontal to vertical producer is 1:3. The well patterns are presented in **Figure 13**.

As noted previously in this report, the Huff 'n' Puff process will be repeated every six months with 40 tonnes of steam injection initially for every meter of perforation in a vertical well, and 20 tonnes of steam injection initially for every meter of a horizontal well. This initial stage will then be followed by a 10% increase in volume injected during every stage until the completion of six stages in a three year period. The Appraisal and Pilot Study will evaluate both the inverted 9-spot well pattern and the combined 13-spot well patterns in order to assess the relative merits of the two methods for a full field development. **The current field development program in this report is based on the inverted 9-spot well pattern.**

GCA notes that the PSC defines 3 years for the Evaluation period and 20 years for the Production period, without any specific limit on the Development period. Hence, the Development Program has been assumed to be concurrent with production from the field, which is practical for onshore projects. However, the EOR project in a frontier area may need some observation and adjustment as more data is gained with ongoing development. Based on the current plan, the Huff 'n' Puff project proposed in the Pilot Test will not be complete before the ODP is approved by the Government. GCA is of the opinion that the Overall Development Plan (ODP) therefore needs to be devised in three stages; one of each covering the 1C, 2C and 3C Contingent Resources respectively. Hence, by the time the first stage of the ODP is completed there would be sufficient time to assess the production trend and potential recovery in order to modify the ODP itself for subsequent stages.

3.3 Appraisal Program

The appraisal scheme for the Fuyu 1 Block consists of 200 km. of 2D and 60 km^2 of 3D seismic acquisition, processing and interpretation. The plan envisages thirty wells consisting of eight appraisal wells and a Pilot Study of twenty two wells plus associated surface facilities. Testing of the appraisal wells will include coring (at least two sealed well cores to preserve reservoir conditions), logging, gas logging, perforation and well flow test. The Pilot Study should comprise of two independent modules or units of inverted 9-spot and combined 13-spot well patterns (twelve vertical wells and one horizontal well) with basic facilities and pipeline in order to conduct an evaluation of performance from both patterns. As described previously in this report, the Huff 'n' Puff process will need to be repeated every six months over a three year period. The field development will then commence after the three year evaluation period, and the Steam Flood performance will be known during the Production period.

The Exploration and Appraisal Phase involves Resources Evaluation, appraisal drilling, Pilot Study and selection of the appropriate Heavy Oil Recovery Technology for the Block as described below:

- Appraisal Wells : 8 wells and 3,200 m
- 2D Seismic API : 200 km
- 3D Seismic API : 60 km^2
- Inverted 9-spot Well Pattern : 9 wells and 3,600 m
- Combined 13-spot Well Pattern : 13 wells and 5,200 m

In the last few months, Kingworld has drilled 31 appraisal wells in different parts of the block with some wells outside the committed evaluation program area. As a part of initial appraisal program, 29 wells have confirmed oil pay based on log analysis, 6 of the wells have tested oil with Huff 'n' Puff method and 3 wells have been put on trial production over the last few months. Two step-out appraisal wells drilled for a distinct fluvial object have proved to be dry.

The results of the recent appraisal wells are very encouraging. Three wells, namely JF 219, JF 221 and JF 229 have been tested in mid November 2008. Among the three wells, JF 229 is the best and it initially produced 17 tonnes of oil per day but declined very sharply to 2.4 tonnes of oil per day within a period of 5 days. However, after that, it was able to maintain around 2.5 tonnes of oil per day until end of December. The worst well is JF 221; it initially produced 1.3 tonnes of oil per day and then slowly increased to 2.9 tonnes of oil per day in 9 days followed by a gradual decline in 10 days to 1.2 tonnes of oil per day with 84% water cut.

3.4 Phase I Field Development Plan (FDP) for 1C Contingent Resources

The Fuyu 1 Block Phase I development is based on the inverted 9-spot well pattern with 8 production wells and 1 injection well. All the wells are expected to be almost vertical wells. The drilling schedule for the Phase I scenario includes 1,394 production wells and 465 injection wells. The annual drilling schedule has been presented in **Table 8**. The facility development in this phase is restricted to the well site facility and a small central oil gathering, storage and transfer facility.

3.5 Phase II Field Development Plan (FDP) for 2C Contingent Resources

The Fuyu 1 Block Phase II development is based on the inverted 9-spot well pattern with 8 production wells and 1 injection well. All the wells are expected to be almost vertical wells. The drilling schedule for Phase II scenario includes 2,458 production wells and 820 injection wells. The annual drilling schedule has been presented in **Table 8**. The facility development in this phase will encompass an oil gathering, water separation and transferring facility of about 750,000 tonnes of oil per annum.

3.6 Phase III Field Development Plan (FDP) for 3C Contingent Resources

The Fuyu 1 Block Phase III development is based on the inverted 9-spot well pattern with 8 production wells and 1 injection well. All the wells are expected to be almost vertical wells. The drilling schedule for Phase III scenario includes 4,270 production wells and 1,424 injection wells. The annual drilling schedule has been presented in **Table 8**. The facility development in this phase will encompass an oil gathering, water separation and transfer facility of around 1,950,000 tonnes of oil per annum.

TABLE 8

DRILLING SCHEDULE FOR THE DIFFERENT PHASES OF FIELD DEVELOPMENT AS OF 31st DECEMBER, 2008

Year	Pilot Project		Phase I FDP 1C Contingent Resources)		Phase II FDP (2C Contingent Resources)		Phase III FDP (3C Contingent Resources)	
	Producer	Injector	Producer	Injector	Producer	Injector	Producer	Injector
2009	22	0	28[1]	0	28[1]	0	28[1]	0
2010	0	0	120	0	120	0	120	0
2011	0	0	120	60	120	60	120	60
2012	0	0	120	60	120	60	120	60
2013	0	0	120	60	120	60	120	60
2014	0	0	120	60	120	60	120	60
2015	0	0	120	60	120	60	120	60
2016	0	0	240	80	240	80	240	80
2017	0	0	280	80	280	80	280	80
2018	0	0	126	5	351	69	351	69
2019	0	0	0	0	306	114	306	114
2020	0	0	0	0	360	120	360	120
2021	0	0	0	0	173	57	413	67
2022	0	0	0	0	0	0	405	135
2023	0	0	0	0	0	0	405	135
2024	0	0	0	0	0	0	405	135
2025	0	0	0	0	0	0	357	189
2026	0	0	0	0	0	0	0	0
2027	0	0	0	0	0	0	0	0
2028	0	0	0	0	0	0	0	0
2029	0	0	0	0	0	0	0	0
2030	0	0	0	0	0	0	0	0
Total	**22**	**0**	**1,394**	**465**	**2,458**	**820**	**4,270**	**1,424**

Note: The recently drilled 28 appraisal wells are assumed to start production on Huff 'n' Puff stimulation in 2009.

Checked: SK Approved: DJ

4. CONTINGENT RESOURCES ESTIMATION

GCA has assumed different well type curves for 1C, 2C and 3C Cases based on the well test results and analogue data, as shown in **Figure 14**. The oil production profiles comparison for the, 1C, 2C and 3C Cases are compared in **Table 9** and **Figure 15**. The oil production profile, steam injection profile, the oil production to steam injection ratio and recovery factor profiles for 1C, 2C and 3C Cases are presented in **Figures 16** to **18**.

4.1 Pilot Study Resources Estimation

The Pilot Study comprises two independent modules or units of inverted 9-spot and combined 13-spot well patterns (twelve vertical wells and one horizontal well). GCA assumes that only the Huff 'n' Puff process will be implemented in the Pilot Study. The average oil production initial rate is assumed to be 1.20 tpd, declining at 45% annually for the first three years. After that, the wells are assumed to decline at 57% annually until the end of well life.

4.2 1C Contingent Resources Estimation

The 1C Contingent Resources assume a full development of 1C area with 464 inverted 9-spot well patterns. GCA assumes only the Huff 'n' Puff process will be implemented successfully. The average oil production initial rate is assumed to be 1.32 tpd, declining at 45% annually for the first three years. After that, the wells are assumed to decline at 57% annually. The GCA 1C Contingent Resources of 1.86 MMtonnes (12.31 MMstb) covers an area of 23.24 km^2 with a STOIIP of 75.63 MMstb.

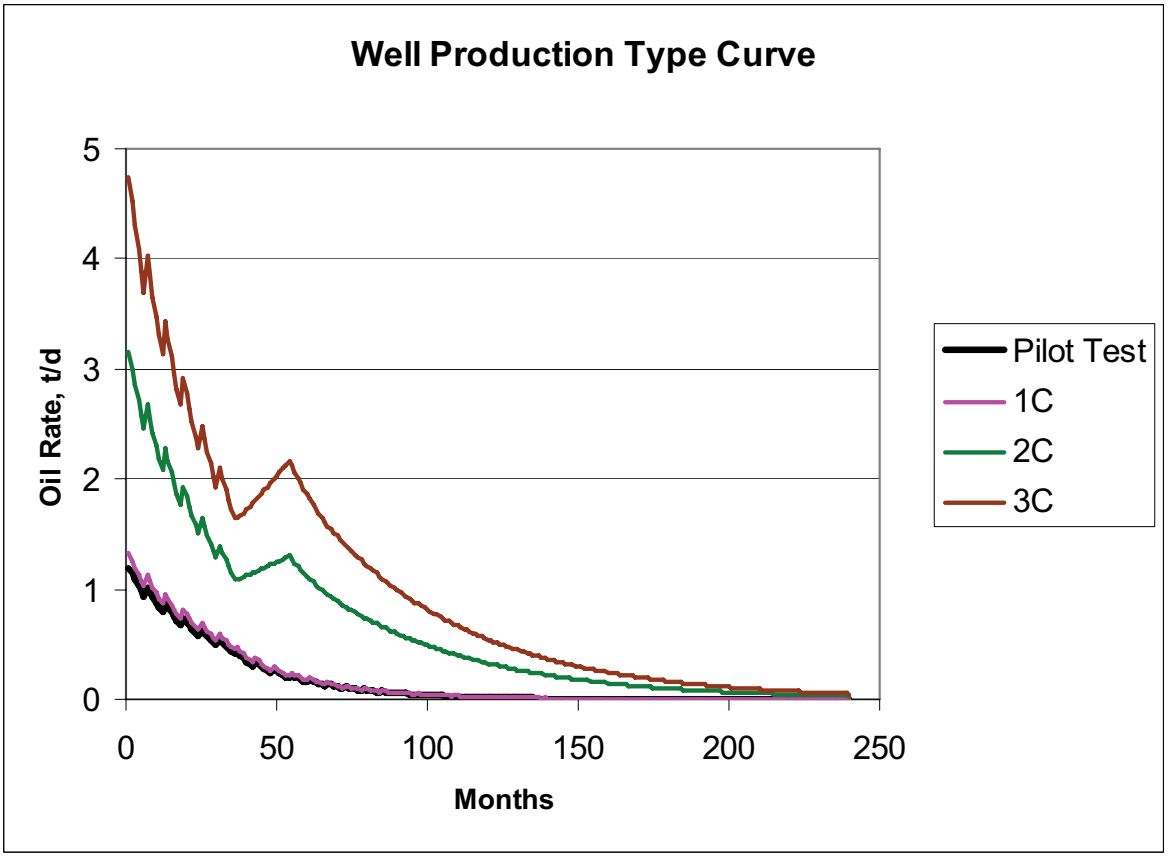
4.3 2C Contingent Resources Estimation

For 2C Contingent Resources, GCA has assumed 819 inverted 9-spot well patterns, in order to fully develop the 2C area. GCA assumes that all the wells will be produced under Huff 'n' Puff for the first three years, and thereafter a comprehensive Steam Flood project will be carried out. During the Huff 'n' Puff process, the average oil production initial rate is assumed to be 3.15 tpd, declining at 45% annually for the first three years. A 13% annual increment in production rate has been assumed during the first 18 months when the Steam Flooding process is implemented for the producers. After that, the production rate will decline at 26% for 12 months and 21% annually thereafter. The GCA 2C Contingent Resources of 10.51 MMtonnes (69.59 MMstb) covers an area of 40.97 km^2 with a STOIIP of 272.19 MMstb.

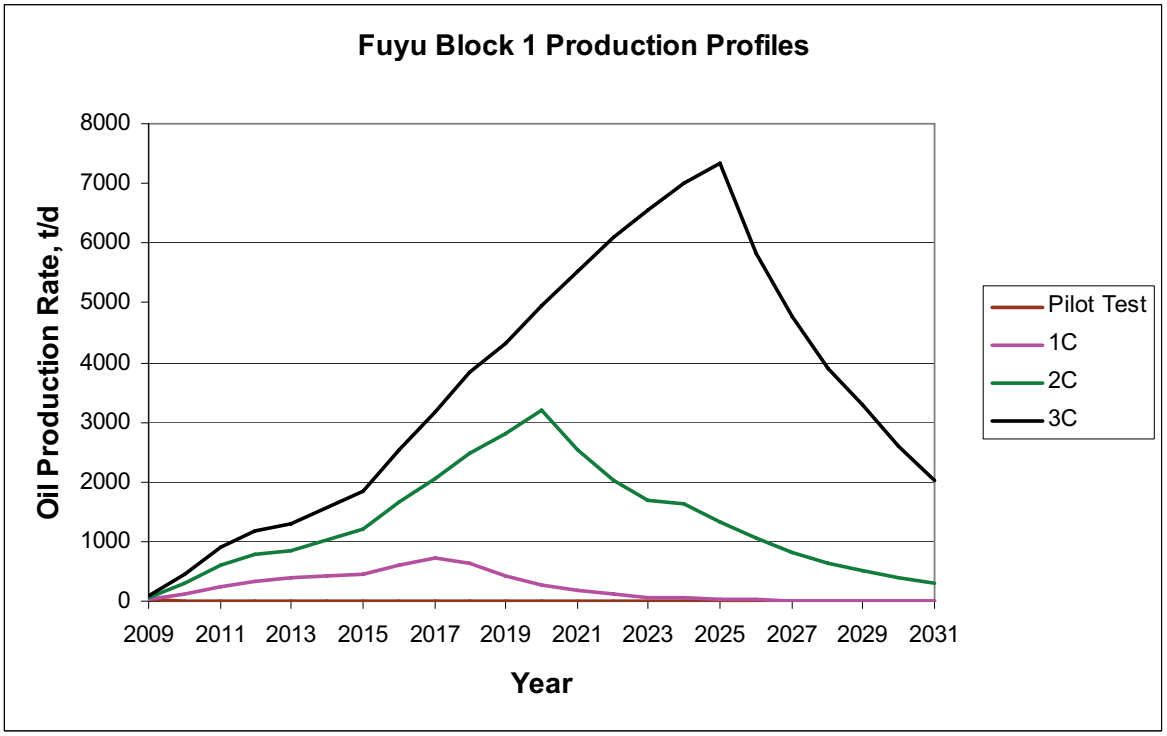
4.4 3C Contingent Resources Estimation

For 3C Contingent Resources, GCA has assumed 1,423 inverted 9-spot well patterns, in order to fully develop the 3C area. GCA assumes that all the wells will be produced under Huff 'n' Puff process for the first three years, and thereafter comprehensive Steam Flood project will be carried out. During the Huff 'n' Puff process, the average oil production initial rate is assumed to be 4.75 tpd and decline at 45% annually for the first three years. A 22% annual increment in production rate has been assumed during the first 18 months when the Steam Flooding process is implemented for the producers. After that, the production rate will decline at 26% for 12 months and 21% annually thereafter. The GCA 3C Contingent Resources of 29.60 MMtonnes (195.94 MMstb) covers an area of 71.18 km^2 with a STOIIP of 642.50 MMstb.

The summary of Contingent Resources is presented in **Table 10**.

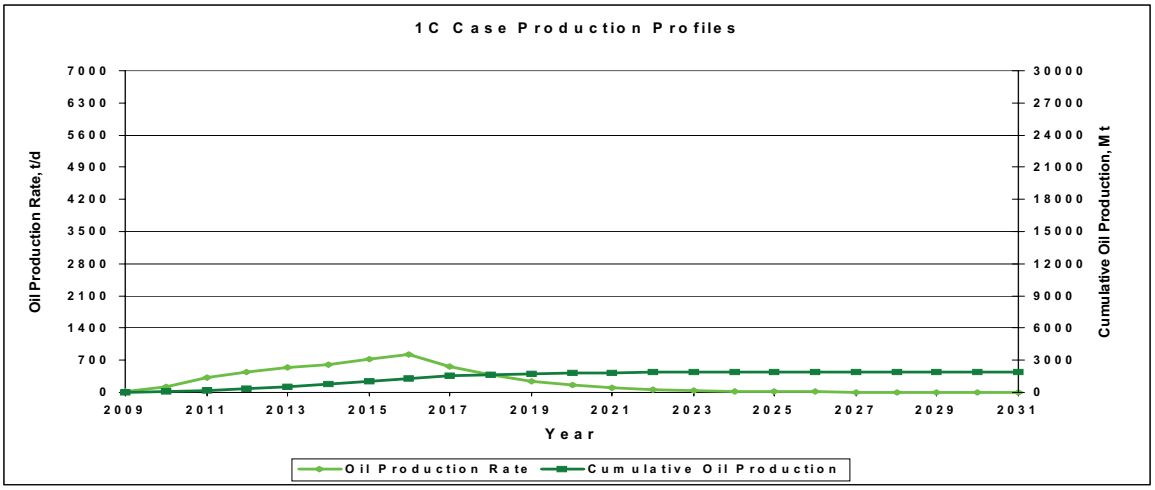


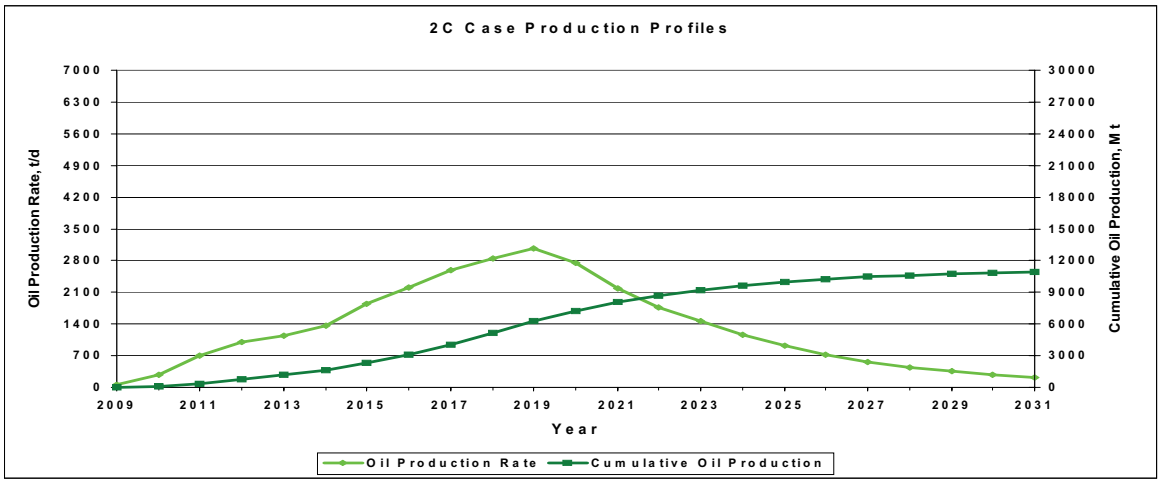
Well Production Type Curves		
Project:K1186.01 Apr09	Checked:	Fig 14

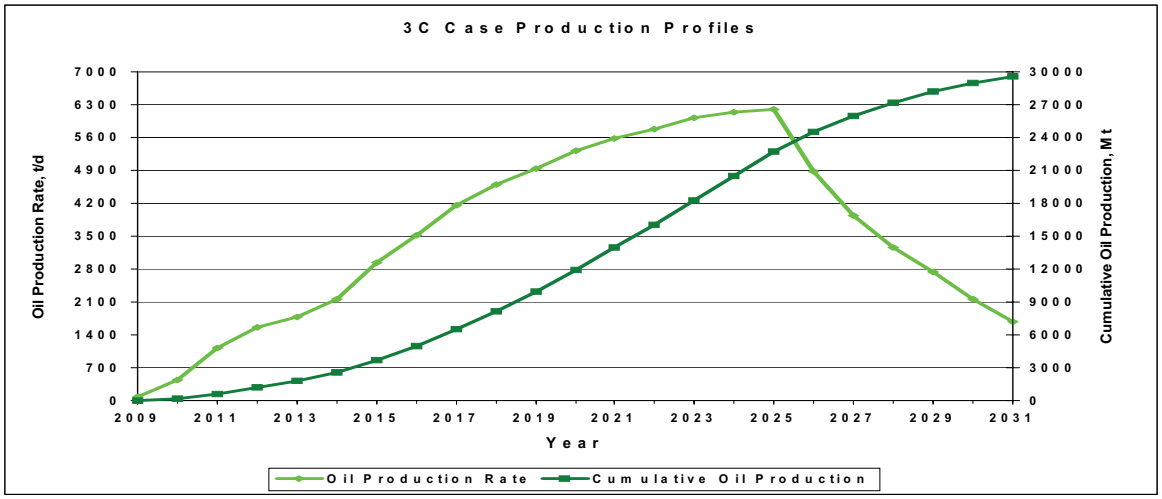


Fuyu Block 1 Production Profiles

Project:K1186.01 Apr09	Checked:	Fig 15

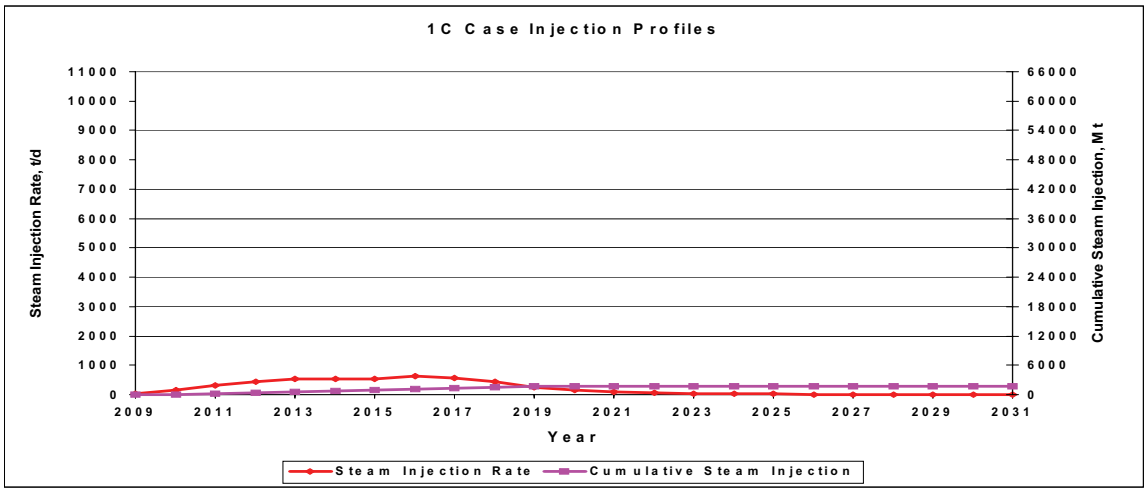


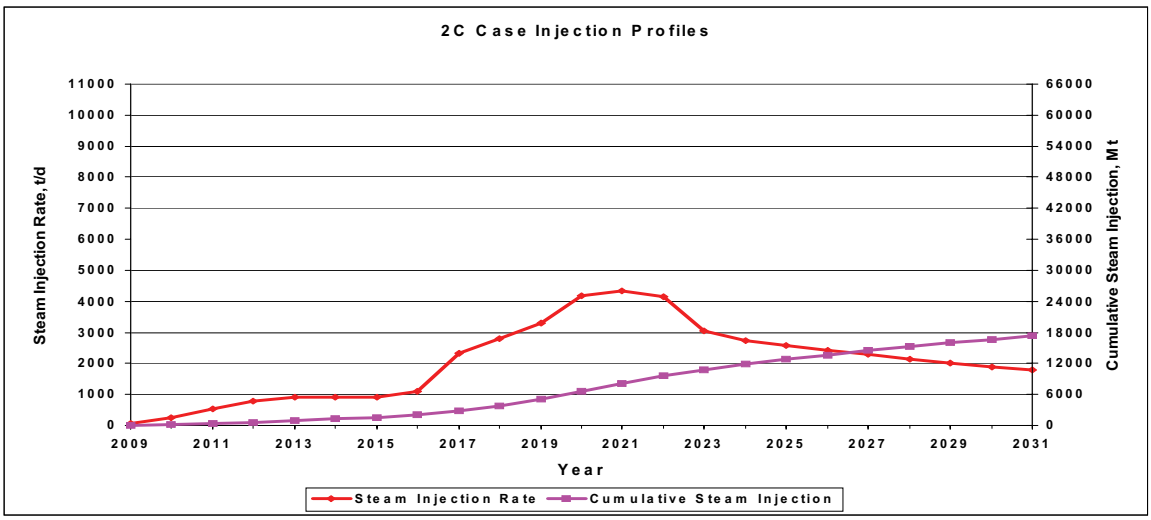


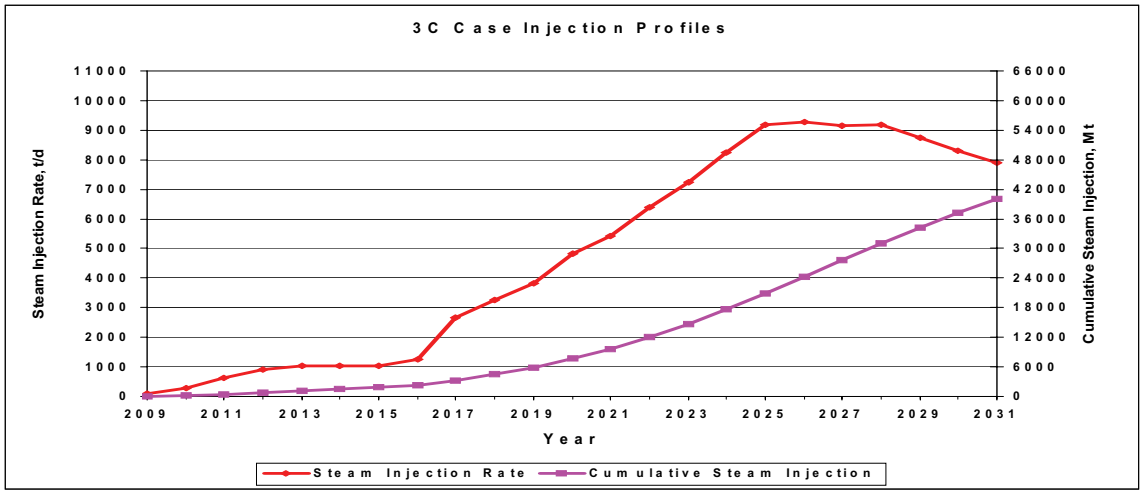


Oil Production Profiles for 1C, 2C and 3C Cases

Project:K1186.01 Apr09	Checked:	Fig 16

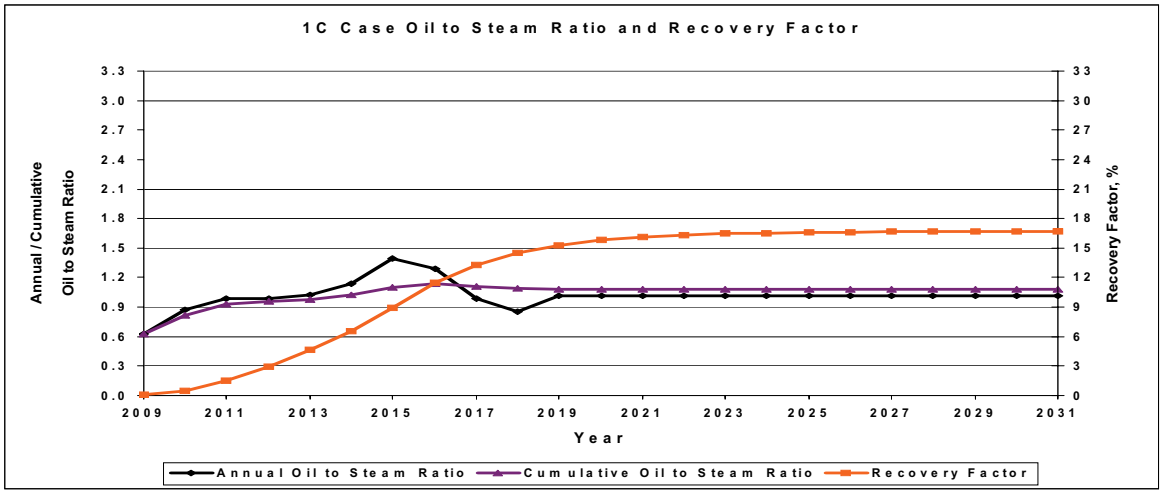


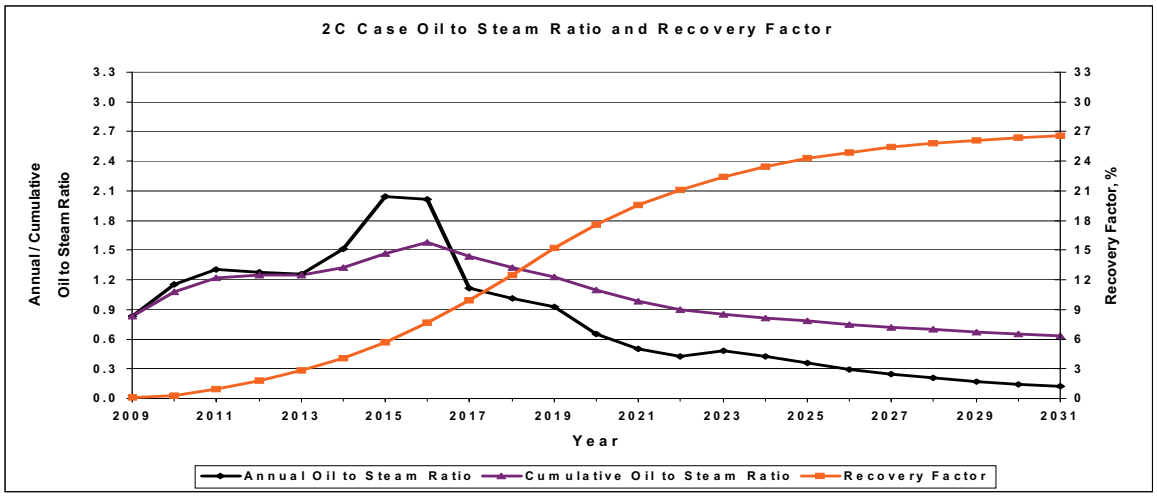


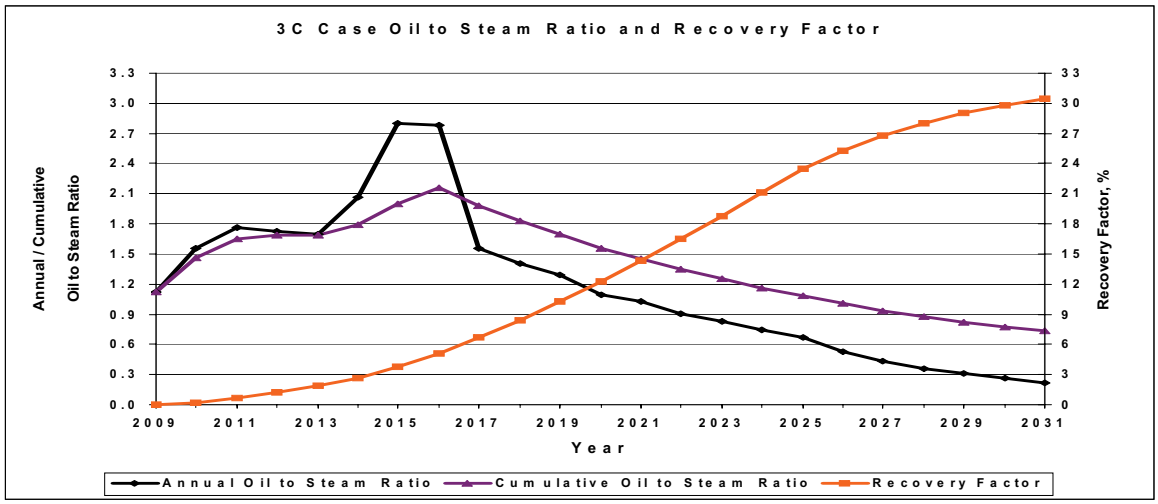


Steam Injection Profiles for 1C, 2C and 3C Cases

Project:K1186.01 Apr09	Checked: SK	Fig 17







Oil to Steam Ratio and Recovery Factor for 1C, 2C and 3C Cases

Project:K1186.01 Apr09	Checked: SK	Fig 18

TABLE 9

**FUYU BLOCK 1 GROSS PRODUCTION FORECASTS
AS OF 31st DECEMBER, 2008**

FUYU 1 BLOCK			
GROSS (100%) OIL PRODUCTION PROFILES			
Year	Low Case	Most Likely Case	High Case
	MMstb	MMstb	MMstb
2009	0.060	0.144	0.217
2010	0.301	0.719	1.085
2011	0.605	1.443	2.176
2012	0.821	1.911	2.882
2013	0.966	2.072	3.125
2014	1.058	2.479	3.760
2015	1.118	2.919	4.486
2016	1.456	3.982	6.145
2017	1.784	4.976	7.687
2018	1.526	6.019	9.294
2019	1.043	6.763	10.455
2020	0.681	7.737	11.989
2021	0.435	6.120	13.340
2022	0.278	4.921	14.755
2023	0.178	4.078	15.814
2024		3.952	16.930
2025		3.234	17.709
2026		2.538	14.084
2027		1.994	11.500
2028		1.569	9.438
2029			7.948
2030			6.247
2031			4.891
Total	**12.31**	**69.571**	**195.956**

Notes:
1. These are the total technical volumes for each case before the economic limit test.
2. The numbers are rounded up and may not properly add up to the total.

Checked: SK Approved: DJF

TABLE 10

SUMMARY OF CONTINGENT RESOURCES
AS OF 31st DECEMBER, 2008

Gross Contingent Resources			Net Entitlement Attributable to KINGWORLD		
1C	2C	3C	1C	2C	3C
MMTonnes	MMTonnes	MMTonnes	MMTonnes	MMTonnes	MMTonnes
1.859	10.509	29.599	0.906	5.144	14.435

Notes:
1. Gross Contingent Resources are 100% of the Contingent Resources attributable to the licence.
2. Contingent Resources are estimated on the basis of GCA's forecasts of production, costs and price profiles for the development and operation of the Fuyu 1 Block.
3. Net Entitlement Contingent Resources reflect net economic entitlement attributable to Kingworld Resources Limited converted to equivalent tonnes, and reflect the costs associated with the development concept.
4. Evaluation based on GCA's 1Q 2009 SPE Forecast Price Scenario.

Checked: Approved: 

5. CAPITAL AND OPERATING EXPENDITURE

The Overall Development Plan (ODP) for full field development will not be determined until the Pilot Study has been completed. The purpose of the Pilot Study is to simulate and study the behaviour of different well patterns consisting of near vertical wells and combined vertical-horizontal wells. A square grid pattern provides the scope for future infill wells and to integrate the Pilot Study with the overall development scheme. As an example, a 5-spot square well pattern with a 200 m well spacing between them can be added with four infill wells to convert it to a 9-spot well pattern with a spacing of 100 m; with the spacing reduced to 70 m for the second infill drilling campaign. The horizontal wells are likely to be more expensive and more vertical wells have been preferred for the initial pilot test.

The ratio of injector to producer in the inverted 9-spot pattern is 1:3, and in the combined 13-spot well pattern it is 1:2. The Pilot Study is based on two well patterns consisting of an inverted 9-spot well pattern and 13-spot combination well pattern (12 vertical wells based on 100 m well spacing and 1 horizontal well in the center).

The Field Development Plan (FDP) for all scenarios of Contingent Resources is based on an inverted 9-spot well pattern consisting of eight production wells and one injection well. The square grid pattern has 100m spacing between the production wells and the unit pattern occupies 40,000 km^2. The vertical wells are to be drilled to about 500 m depth for effective impact from steam injection and oil drainage. Initially the oil from the well site storage tank is planned to be collected and transported to the nearest CNPC oil processing installation by truck. Once the field production has exceeded 750 tpd (5,000 Bopd) then infield pipeline, central storage tank, water knock down separator and dehydrator, basic processing to oil sales specification, electricity distribution and transformer sub-station, transfer pump and export pipeline is likely to be installed.

5.1 Capital Expenditure

The vertical wells are expected to be drilled in five days on a turnkey well construction basis and each well with down-hole completion for production and steam injection is expected to cost around U.S. $0.12 MM (based on an exchange rate of RMB 6.84 to U.S. $1.00). The basic well site amenities like flow line, storage tank, motor for progressive cavity pump etc have been apportioned and included in the well cost. The water separation and heating facility is estimated to cost $12.5 MM for a modular unit of 0.15 MMTPA or 2,750 bopd.

The field appraisal and evaluation phase of three years includes seismic acquisition, processing and interpretation of 200 line km of 2D and 60 km^2 of 3D seismic, followed by pilot steam stimulated production test on the two well patterns. There are eight appraisal wells for data collection and to develop a geological model. Sixteen vertical production wells, five vertical injection wells and one horizontal production well are planned to be drilled for the pilot test on the two well patterns. The total drilling cost during the pilot phase is expected to amount to U.S. $2.65 MM. The additional seismic acquisition, processing and interpretation during the evaluation phase is estimated to cost U.S. $2.5 MM. During this period the plan is to have only well site storage tanks and test facilities and nothing beyond this has been allocated towards surface facility costs.

As stated in the previous section, GCA has assumed full field development on the basis of the inverted 9-spot well pattern as, until results of the Pilot Study are known, this concept is, generally speaking, more economically viable when all three Contingent Resources cases are considered. Well performance and recovery have been assumed based on the limited dataset at this time. It should be noted that results from the Pilot Study may well show that the EOR recovery mechanism may not work as well as assumed herein for either of the well patterns considered.

The field development for 1C Contingent Resources assumes 1,859 wells including already drilled 28 appraisal wells. The drilling cost for this phase of the program is estimated at U.S. $220.07 MM. The well site facilities include a storage tank, with production trucked to the nearest CNPC processing center. In this phase only a minimal oil processing and mainly oil storage facility has been estimated at a cost of U.S. $ 2.0 MM.

The field development for 2C Contingent Resources assumes a total of 3,278 wells including already drilled 28 appraisal wells. The drilling cost for this phase of the program is estimated at U.S. $ 388.59 MM. A permanent oil gathering and water separation facility of 750,000 tonnes of oil per annum (13,600 Bopd) design capacity has been planned at an estimated cost of U.S. $ 75.0 MM.

The field development for 3C Contingent Resources assumes a total of 5,694 wells including already drilled 28 appraisal wells. The drilling cost for this phase of the program is estimated as U.S. $ 675.54 MM. In this phase a permanent oil gathering and water separation facility of 1,950,000 tonnes of oil per annum (35,500 Bopd) design capacity has been planned at an estimated cost of U.S. $ 175.0 MM.

The Capital expenditure assumptions and basis have been presented in **Table 11** and the annual capital expenditure forecast has been presented in **Table 12**.

TABLE 11

**GROSS FIELD CAPITAL EXPENDITURE ASSUMPTIONS
AS OF 31st DECEMBER, 2008**

Case	1C Contingent Resources	2C Contingent Resources	3C Contingent Resources
Number of Wells	**Numbers**	**Numbers**	**Numbers**
Vertical Producer	1,394	2,458	4,270
Steam Injector	465	820	1,424
Cost Breakdown	**Cost (U.S.$ MM)**	**Cost (U.S.$ MM)**	**Cost (U.S.$ MM)**
Seismic API Cost	**2.485**	**2.485**	**2.485**
Total Well Drilling Cost	**220.065**	**388.595**	**675.539**
Pilot Drilling Cost	2.654	2.654	2.654
Producer	164.759	293.092	511.645
Steam Injector	52.652	92.849	161.241
Total Surface Facilities Cost	**2.000**	**75.000**	**175.000**
Surface Facilities Cost	2.000	75.000	175.000
Total Block CAPEX	**224.550**	**466.080**	**853.025**

Checked: SK Approved: DJT

TABLE 12

**GROSS FIELD ANNUAL CAPITAL EXPENDITURE FORECASTS
AS OF 31st DECEMBER, 2008**

Year	1C Contingent Resources	2C Contingent Resources	3C Contingent Resources
	(U.S.$ MM)	(U.S.$ MM)	(U.S.$ MM)
2009	5.139	5.139	5.139
2010	14.474	14.474	14.474
2011	21.268	33.768	33.768
2012	21.268	33.768	33.768
2013	21.268	21.268	33.768
2014	22.268	21.268	33.768
2015	22.268	33.768	33.768
2016	38.006	50.506	50.506
2017	42.830	42.830	55.330
2018	15.764	62.648	62.648
2019		62.316	62.316
2020		57.009	69.509
2021		27.320	69.900
2022			76.635
2023			76.635
2024			76.635
2025			
2026			
2027			
2028			
2029			
2030			
2031			
Total	**224.550**	**466.080**	**853.025**

Note: In the all the Development Scenarios, it has been assumed that the Minimum Commitment for Evaluation shall be fulfilled either as well cost or facility cost and offset against the development cost that was otherwise likely to have been incurred later in the project.

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5.2 Operating Expenditure

The field operating expenditure has been considered for the different development scenarios or phases as fixed field office and operating cost, variable cost for well site supervision, variable cost of oil production, cost of steam for Huff 'n' Puff as well as Steam Flooding and the indirect operating cost as payments to CNPC for training, assistance, administrative expenses and overhead as defined in various clauses within the PSC.

5.2.1 Field Operating Unit Cost

The fixed field operating cost has been estimated as U.S. $750,000 per annum. The well site supervision cost is expected to be around U.S. $7,000 per well per annum. The variable production cost of oil processing is estimated as U.S. $50 per tonne of oil. The cost of steam is estimated as U.S. $21.5 per tonne (U.S.$3.25/bbl) of steam including the amortisation of the boiler (30,000 tonnes per annum capacity over 6 years). This has been treated as a service cost and operating expenditure.

5.2.2 Indirect Annual Operating Cost

The training and technology transfer fee is U.S. $80,000 per annum during the evaluation phase and U.S. $200,000 per annum thereafter, during the development and production period (PSC Clause 16.7). The CNPC assistance during the evaluation phase is U.S. $100,000 per annum and U.S. $300,000 per annum thereafter as the administrative fee during the development and production period (PSC Annexure II 5.2.14.3). The CNPC personnel cost is estimated as U.S. $ 25,000 to U.S. $ 50,000 per annum based on the hire and allowance rates of personnel that need to be retained in the JV. During the evaluation phase of the project the JV Partner (CNPC) has to approve the expenditure and this overhead is calculated as a percentage on the actual cost incurred and based on the category given below:

- Up to U.S.$5 MM per annum 5%
- U.S.$5-15 MM per annum 3%
- U.S.$15-25 MM per annum 2%
- In excess of U.S.$25 MM per annum 1%

The basis for the overhead calculation is not clearly defined during the development phase, thus GCA has assumed the same basis for this period.

The annual operating expenditure for 1C, 2C and 3C Contingent Resources is presented in **Table 13**.

TABLE 13

**GROSS FIELD ANNUAL OPERATING EXPENDITURE FORECASTS
AS OF 31st DECEMBER, 2008**

Year	1C Contingent Resources	2C Contingent Resources	3C Contingent Resources
	(U.S$ MM)	(U.S$ MM)	(U.S$ MM)
2009	2.184	2.965	3.563
2010	5.909	9.781	12.801
2011	10.672	18.923	24.742
2012	14.436	25.524	33.492
2013	16.919	28.269	37.252
2014	18.477	32.184	42.887
2015	19.763	36.593	49.217
2016	24.808	47.635	65.331
2017	30.593	70.446	94.529
2018	29.569	87.131	116.322
2019	20.340	100.021	133.175
2020	13.540	115.151	153.501
2021	9.193	105.165	171.221
2022	6.432	93.006	192.799
2023	4.666	82.410	211.000
2024		76.622	226.970
2025		67.813	242.590
2026		59.285	215.161
2027		52.394	194.834
2028		46.777	176.972
2029			160.995
2030			140.290
2031			123.366
Total	**227.501**	**1,158.095**	**2,823.011**

Checked: SK Approved: DJT

6. QUALIFICATIONS

GCA is an independent international energy advisory group of 46 years' standing whose specialties include petroleum reservoir evaluation and economic analysis.

The report is based on information compiled by members of staff who are full time employees of GCA.

Staff who participated in the compilation of this report includes Mr. David Ahye, Mr. Stephen Lane, Mr. Suresh Kumar, Mr. Paul McGhee, Ms. Nila Murti, Mr. Fam Koh Shim, Ms. Xianhui Zhang and Ms. Lyrna Esmeralda. All hold at least a bachelor's degree in geoscience, petroleum engineering or related discipline. Mr. Ahye holds a B.Sc. (Hons) in Chemical Engineering, is a member of the Society of Petroleum Engineers (SPE), and has more than 30 years of experience in reservoir engineering and field development. He is currently the Area Manager of GCA – Asia Pacific Region. Mr. Lane holds a B.Sc (Hons.) in Geology, is a member of the Petroleum Exploration Society of Great Britain (PESGB) and the Society of Petroleum Engineers (SPE), and has more than 30 years industry experience. Mr. Kumar holds a B.Tech (Mechanical Engineering) and an MBA, is an active member of the Society of Petroleum Engineers (SPE), SEA Petroleum Exploration Society (SEAPEX) and has over 25 years of experience in the operation of oil fields. Mr. McGhee holds a B.Sc (Hons) in Chemical Engineering, is an active member of Society of Petroleum Engineers (SPE), the Association of International Petroleum Negotiators (AIPN) and the Institute of Chemical Engineering (UK), and has over 25 years of industry experience, principally in the field of petroleum economics. Ms. Nila Murti holds a B.Sc and MSc in Geology, is an active member of the Indonesian Petroleum Association (IPA), Indonesian Sedimentologists Forum (FOSI) and Indonesian Geologists Association (IAGI), and has been a Petroleum Geologist for over ten years. Mr. Fam holds a B.Eng (Hons.) in Petroleum Engineering, is an active member of the Society of Petroleum Engineers (SPE) and has over eight years experience as a Reservoir Engineer. Ms. Esmeralda holds a B.Sc in Economics and an MBA, is an active member of SEAPEX and the Philippines Economics Society, and has been a petroleum economist for the last nine years. Ms. Zhang holds a B.Eng in Applied Geophysics and has over six years of experience in oilfield development planning.

7. BASIS OF OPINION

GCA has no reason to believe that any material facts have been withheld from it, but does not warrant that its inquiries have revealed all of the matters that a more extensive examination might otherwise disclose. The opinions and statements contained in this report are made in good faith and in the belief that such opinions and statements are representative of prevailing physical and economic circumstances.

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 the property title, financial interest relationships or encumbrances thereon for any part of the appraised properties.

It should be understood that the evaluation of petroleum properties involves judgments in respect of a series of issues and parameters that cannot be measured precisely, including the volumes of hydrocarbons that can be produced and sold in the future, the revenues that those hydrocarbons may generate and the costs of producing them.

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

The opinions expressed herein represent GCA's judgment based upon its evaluation of these issues, the data that has been made available and the company's professional experience in the consideration of these matters. Any evaluation may be subject to significant variation over time as new information becomes available or perceptions of market conditions change.

As far as GCA is aware, between the dates that GCA carried out its work and the date of this Technical Report, there has not been any change affecting the Company or Fuyu 1 Block which would have a material effect on the contents of this Technical Report.

8. DECLARATION

In preparing this report, GCA served as an independent energy consultancy specialising in petroleum reservoir evaluation and economic analysis. The firm's Officers and employees have no direct or indirect interest holding in Kingworld Resources Limited and/or TRI-M Technologies (S) Ltd. GCA's remuneration was not in any way contingent on the contents of this report. In the preparation of this report, GCA has maintained, and continues to maintain, a strict consultant-client relationship with TRI-M Technologies (S) Ltd. The directors and officers of GCA have been, and continue to be, independent of TRI-M Technologies (S) Ltd in the services they provide to the company including the provision of the opinions expressed in this report. Furthermore, the directors and officers of GCA have no interest in any assets or share capital of Kingworld Resources Limited and/or TRI-M Technologies (S) Ltd or in the promotion of these companies.

This Technical Report or any reference thereto may not be included in any other document or distributed for any other purpose without the prior written consent of GCA to the purpose of such distribution and to the form and context in which the report or reference appears.

Yours sincerely,

GAFFNEY, CLINE & ASSOCIATES (CONSULTANTS) PTE LTD

David Ahye
Regional Manager, Asia Pacific

APPENDIX I

2007 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.

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_System_2007.pdf

[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.

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.

At this point, it must be certain that the development project is going ahead. The project must not be subject to any contingencies such as outstanding regulatory approvals or sales contracts. Forecast capital expenditures should be included in the reporting entity's current or following year's approved budget. The project "decision gate" is the decision to start investing capital in the construction of production facilities and/or drilling development wells.

Justified for Development

Implementation of the development project is justified on the basis of reasonable forecast commercial conditions at the time of reporting, and there are reasonable expectations that all necessary approvals/contracts will be obtained.

In order to move to this level of project maturity, and hence have reserves associated with it, the development project must be commercially viable at the time of reporting, based on the reporting entity's assumptions of future prices, costs, etc. ("forecast case") and the specific circumstances of the project. Evidence of a firm intention to proceed with development within a reasonable time frame will be sufficient to demonstrate commerciality. There should be a development plan in sufficient detail to support the assessment of commerciality and a reasonable expectation that any regulatory approvals or sales contracts required prior to project implementation will be forthcoming. Other than such approvals/contracts, there should be no known contingencies that could preclude the development from proceeding within a reasonable timeframe (see Reserves class). The project "decision gate" is the decision by the reporting entity and its partners, if any, that the project has reached a level of technical and commercial maturity sufficient to justify proceeding with development at that point in time.

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.

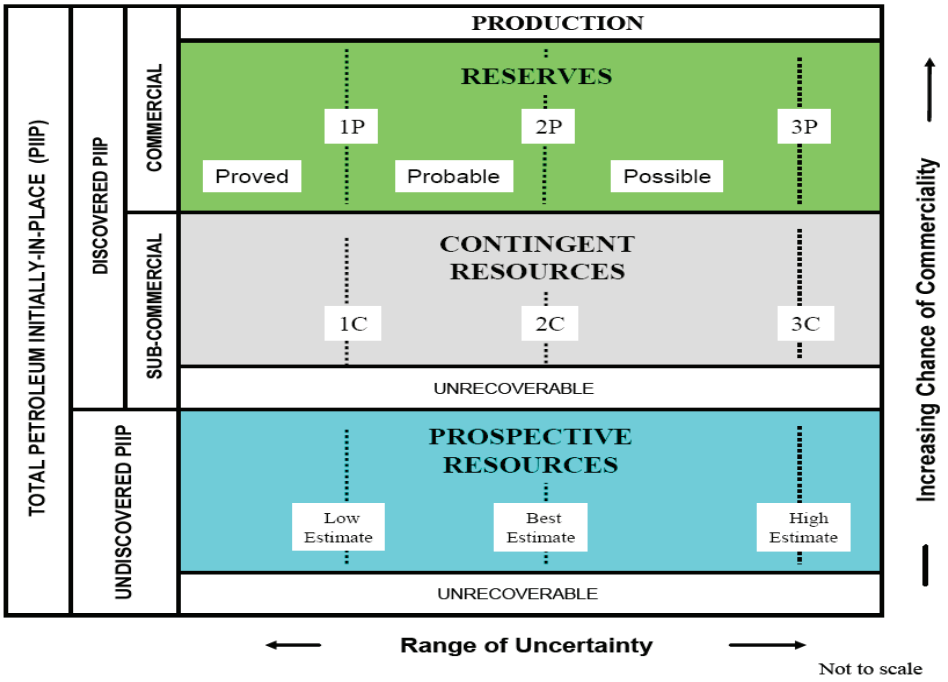
Project activities are focused on acquiring additional data and/or undertaking further evaluation designed to confirm whether or not the lead can be matured into a prospect. Such evaluation includes the assessment of the chance of discovery and, assuming discovery, the range of potential recovery under feasible development scenarios.

Play

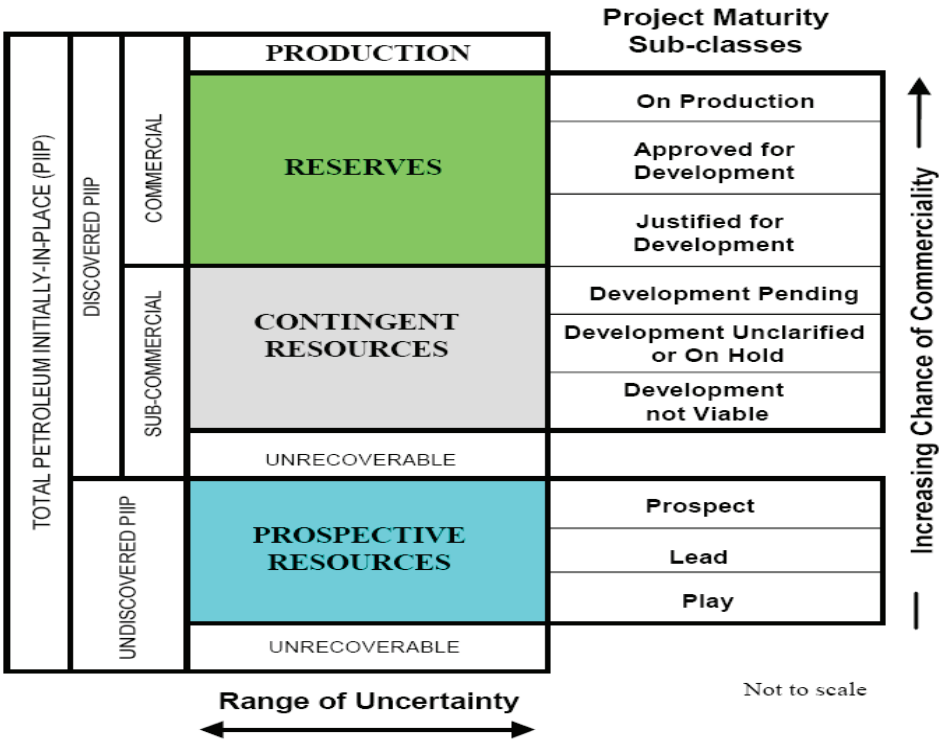
A project associated with a prospective trend of potential prospects, but which requires more data acquisition and/or evaluation in order to define specific leads or prospects.

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.

RESOURCES CLASSIFICATION



PROJECT MATURITY



APPENDIX II

GLOSSARY OF ABBREVIATIONS AND KEY TERMS

GLOSSARY

List of key abbreviations used in this report.

AOFP	Absolute Open Flow Potentials
B	Billion (10^9)
bbl	Barrels
Bscf	Billion standard cubic feet
BS&W	Bottom sediment and water
Btu	British thermal units
bwpd	Barrels water per day
Capex	Capital Expenditure
CGR	Condensate Gas Ratio
DCD	Date of Commencement Delivery
DCQ	Daily Contract Quantity
DMF	Thailand Department of Mineral Fuels
DST	Drill Stem Test
EPCM	Engineering, Procurement, Construction & Management
EUR	Estimated Ultimate Recovery
Ft	feet
ft^3	Cubic feet
G&A	General and Administrative costs
GCA	Gaffney, Cline & Associates
GDT	Gas Down To
GEF	Gas Expansion Factor
GPP	Gas Processing Plant
GIIP	Gas initially in place
GSA	Gas Sales Agreement
GWC	Gas Water Contact
JOA	Joint Operating Agreement
KBE	Kelly Bushing Elevation
kl	Kilolitres
km	Kilometers
km^2	Square kilometres
LoF	Life of Field
m	Metres
m^3	Cubic metres
mD	Permeability in millidarcies
M	Thousand
MD	Measured Depth
MM	Million
MMscf	Million standard cubic feet
MMscfd	Million standard cubic feet per day
MMstb	Million Stock Tank barrel
MMTPA	Million Metric Tonnes per annum
NPV	Net Present Value
OPEX	Operating Expenditure
p.a.	Per annum
PH	Phu Horm
PI	Productivity Index
PLT	Production Logging Tool

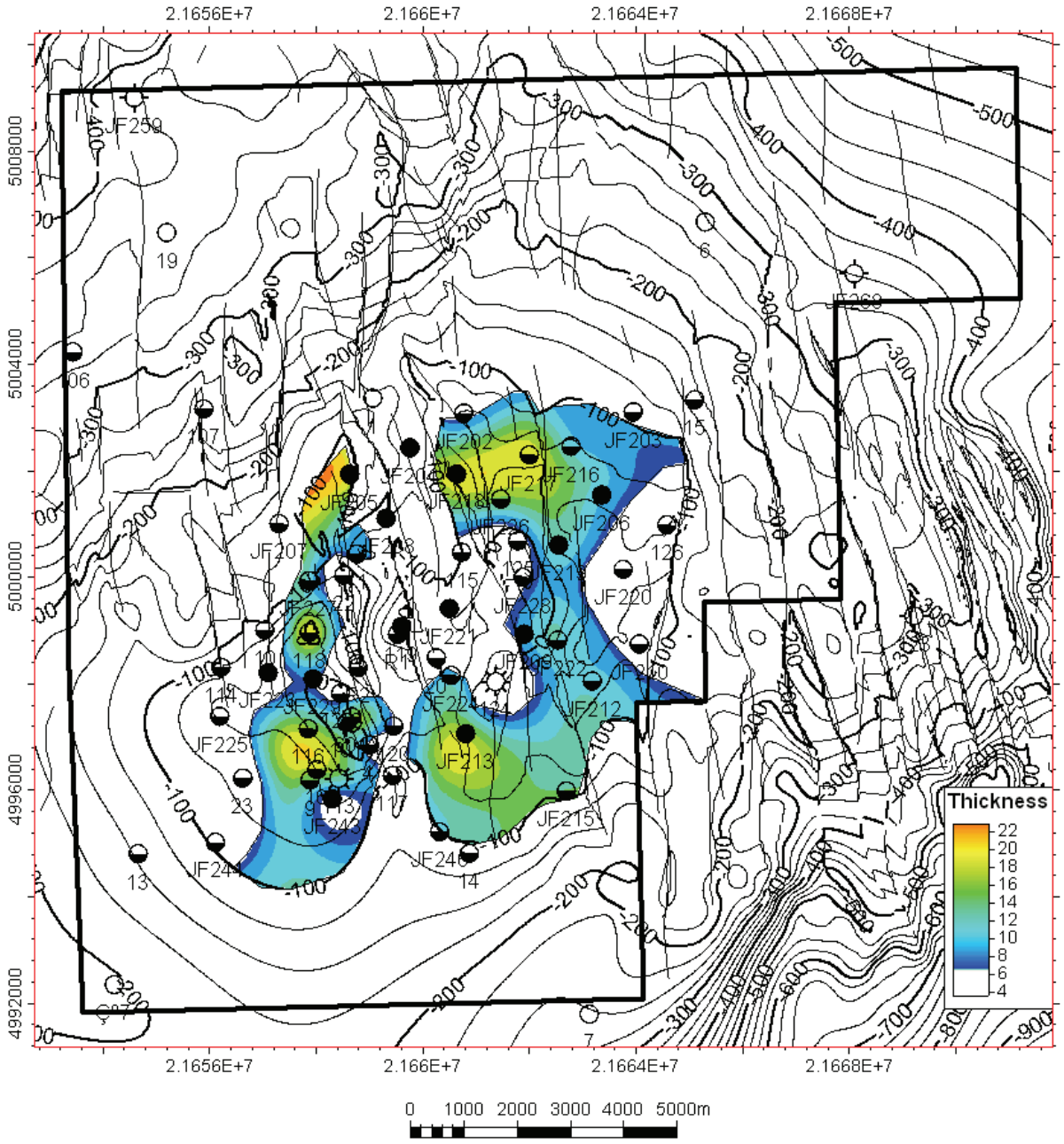
GLOSSARY (Cont'd.)

psi	Pounds per square inch
psig	Pounds per square inch gauge
PVT	Pressure volume temperature
Q	Quartal
RF	Recovery Factor
RST	Resisitivity
scf	Standard Cubic Feet
scfd	Standard Cubic Feet per day
SFO	Sulfur Fuel Oil 180 CST
SS	Subsea
SV	Schedule Variance
Tcf	Trillion cubic feet of gas
Tonnes	Metric Tonnes
T/d	Tonnes per day
TVDSS	True Vertical Depth Subsea
TWT	Two Way Time
U.S. $	United States Dollar
WI	Working Interests
2D	Two dimensional
3D	Three dimensional
%	Percentage

APPENDIX III

GEOLOGICAL MAPS

Gaffney, Cline & Associates



Low Case Polygon
Fuyu Sand Group II

Project:K1186.01 Apr09	Checked	Appx III -1

Tri-M Technologies

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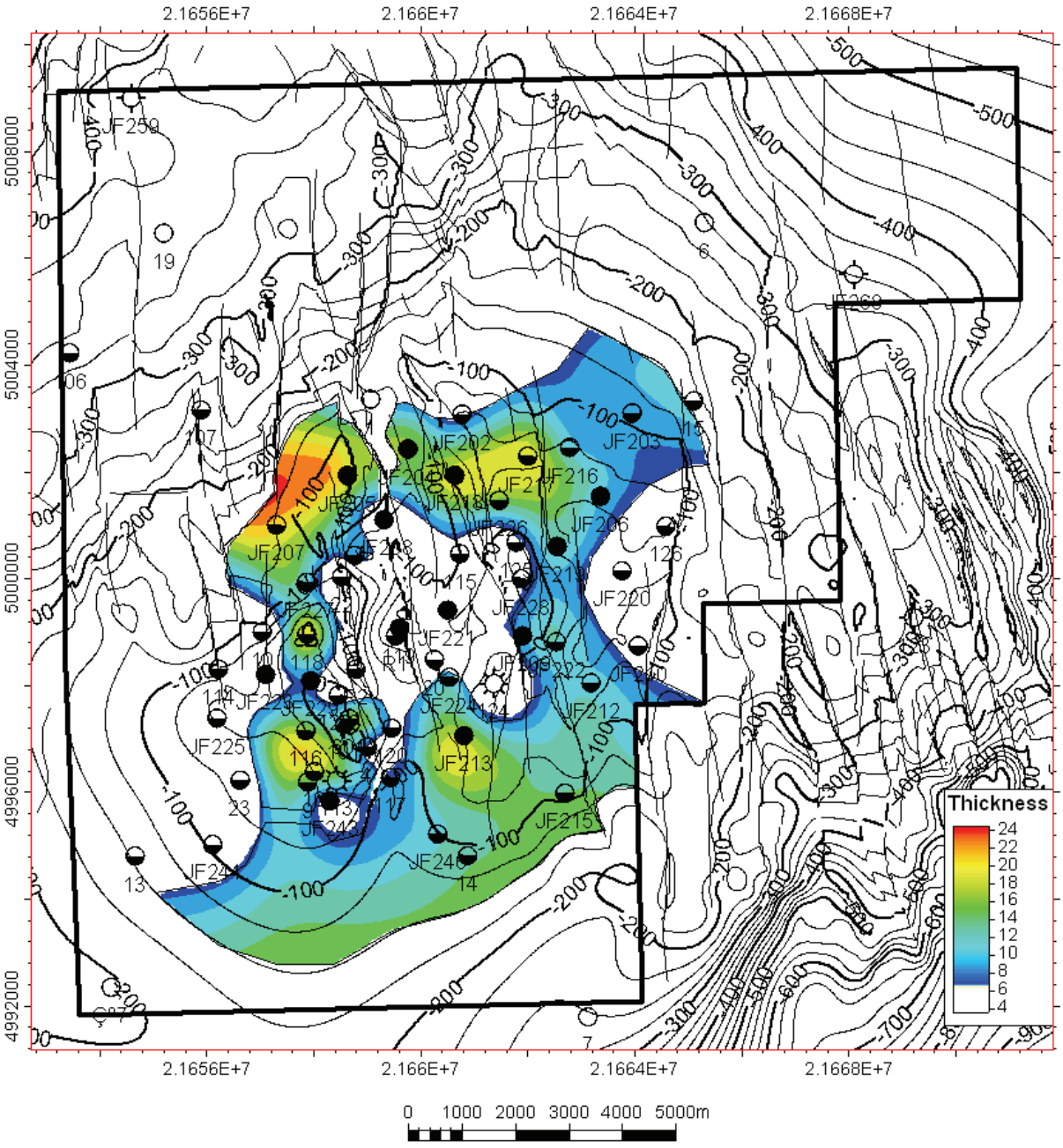
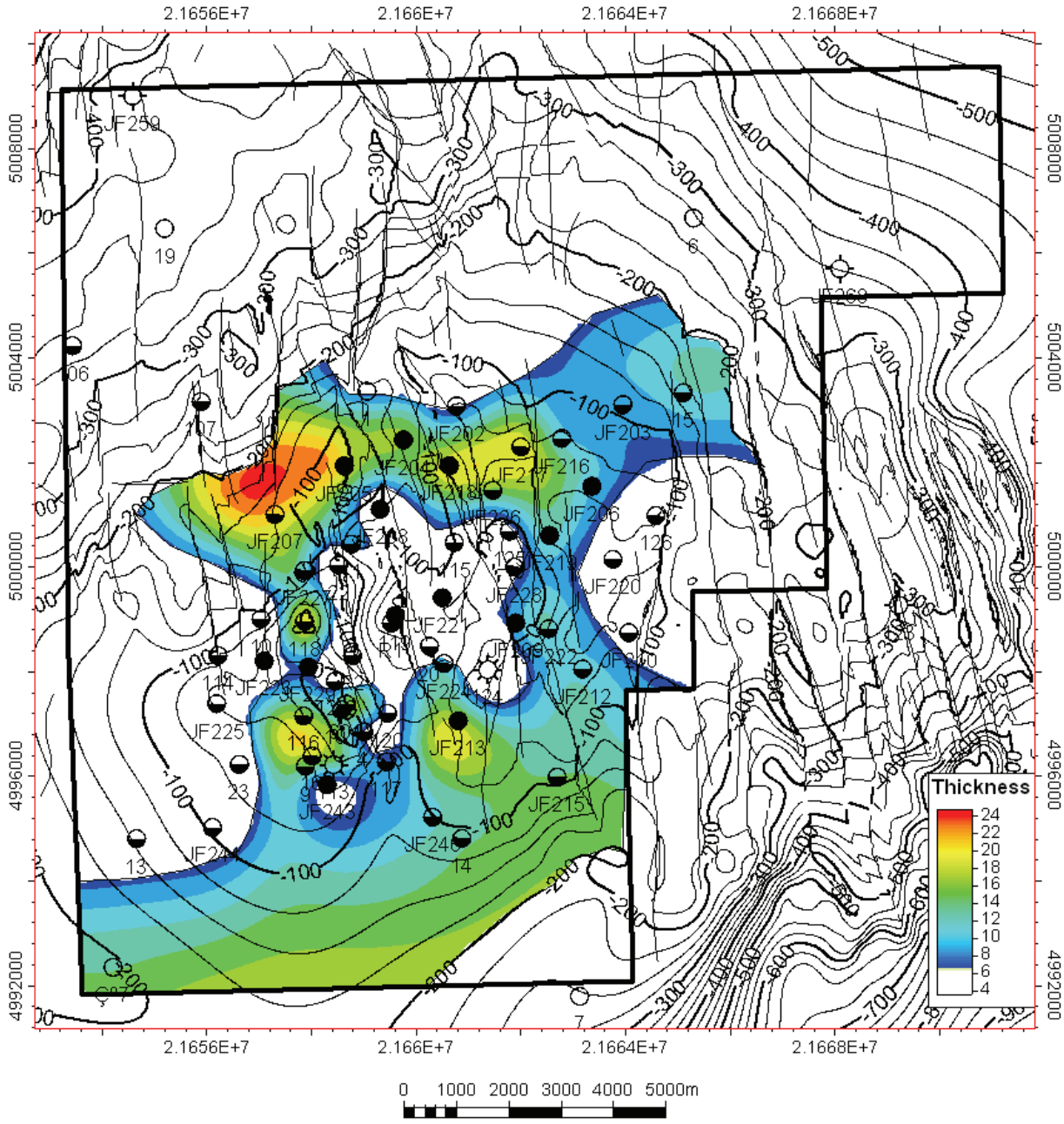


Best Case Polygon
Fuyu Sand Group II

Project:K1186.01 Apr09	Checked	Appx III -2

Tri-M Technologies

Gaffney, Cline & Associates

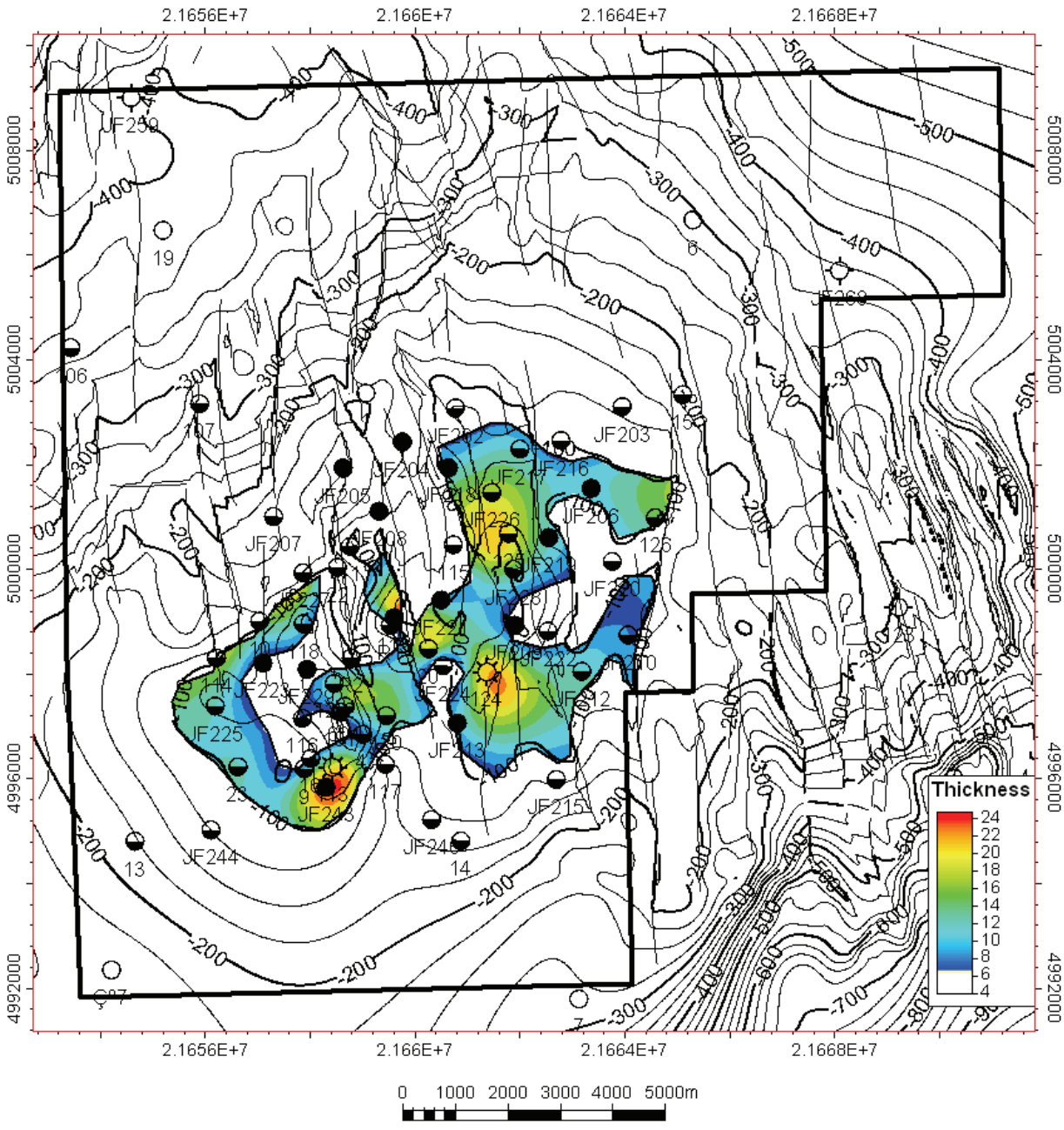


High Case Polygon
Fuyu Sand Group II

Project:K1186.01 Apr09	Checked	Appx III -3

Tri-M Technologies

Gaffney, Cline & Associates

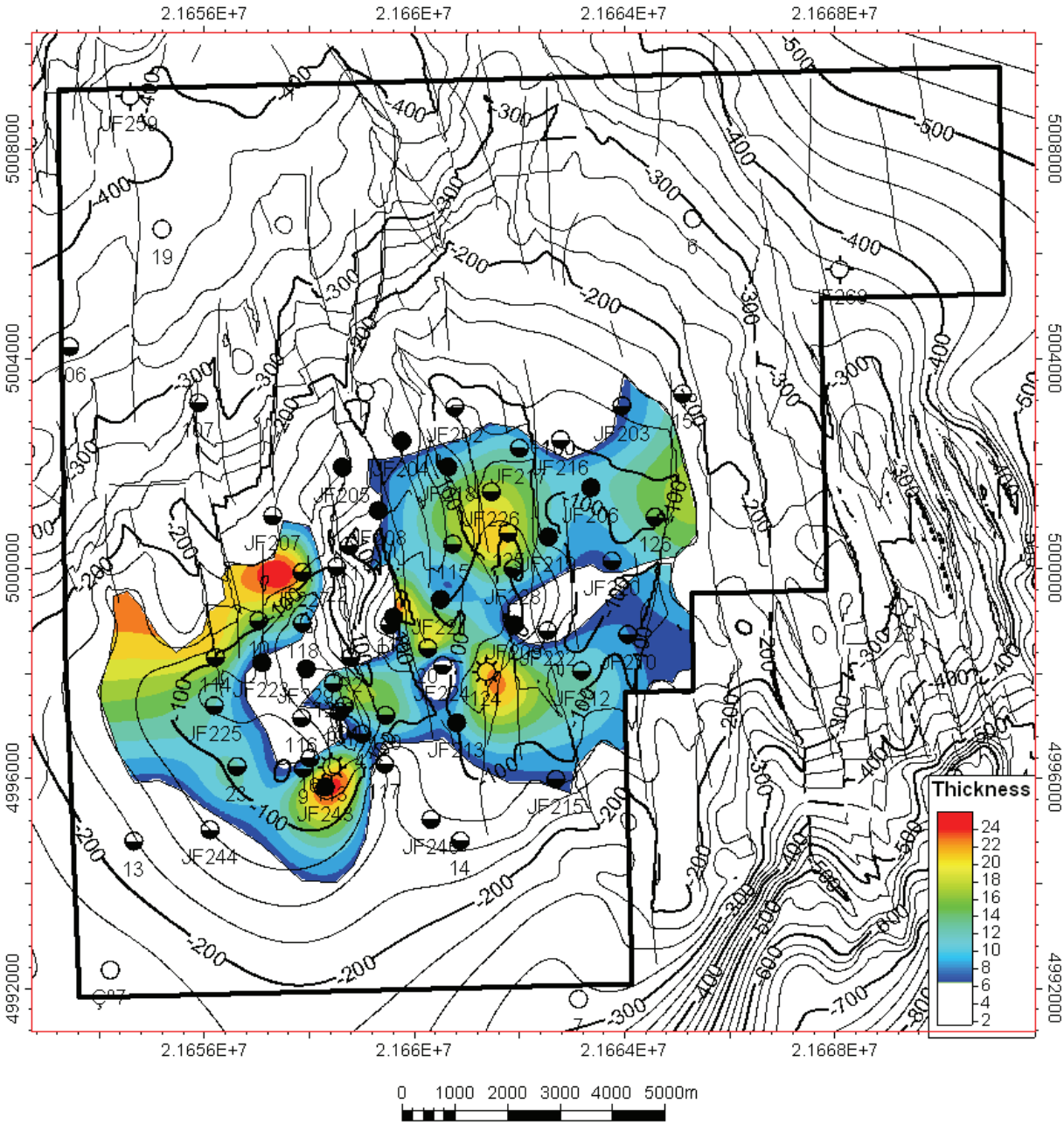


Low Case Polygon
Fuyu Sand Group III

Project:K1186.01 Apr09	Checked	Appx III -4

Tri-M Technologies

Gaffney, Cline & Associates



Best Case Polygon
Fuyu Sand Group III

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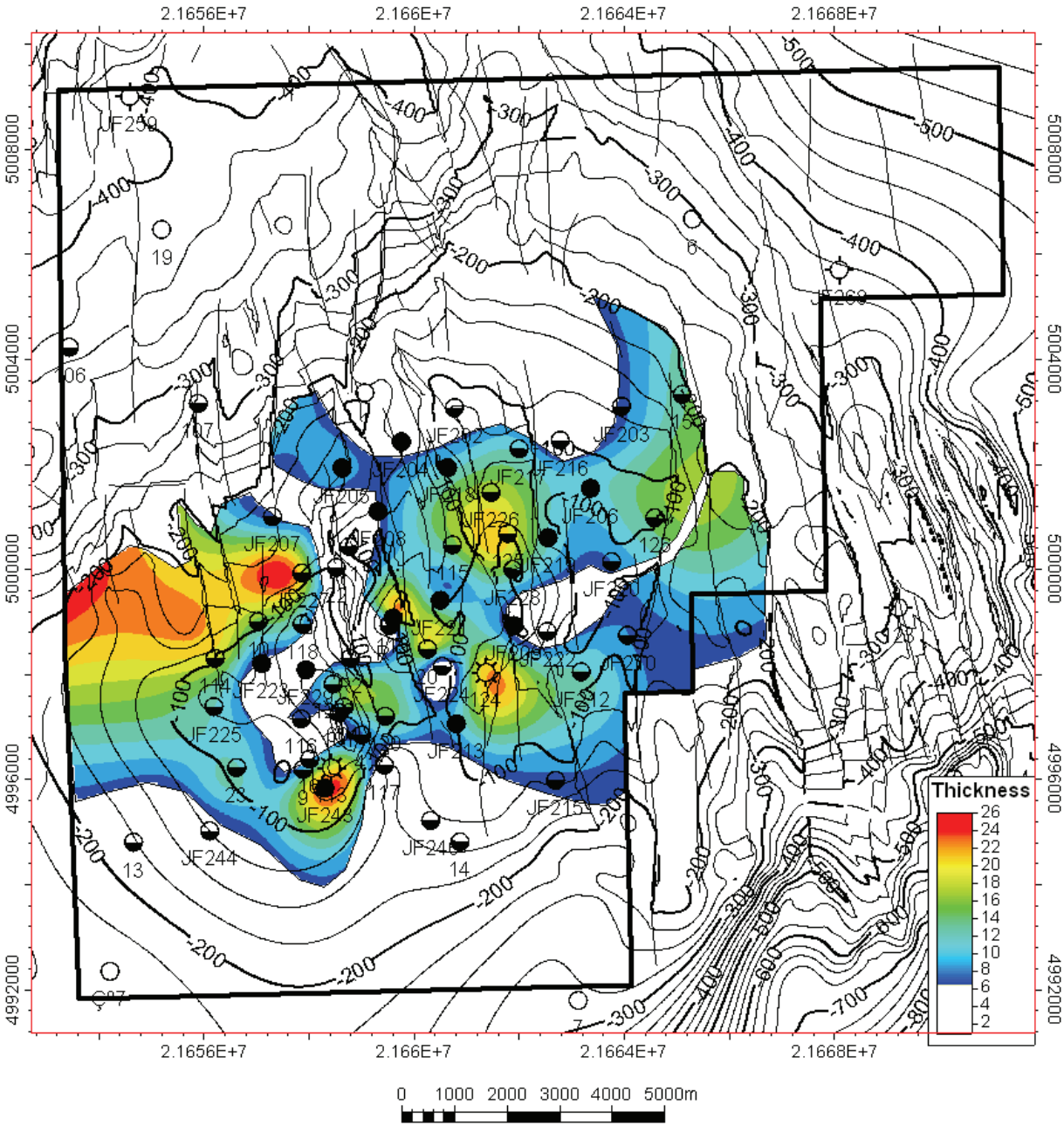
Tri-M Technologies

Gaffney, Cline & Associates

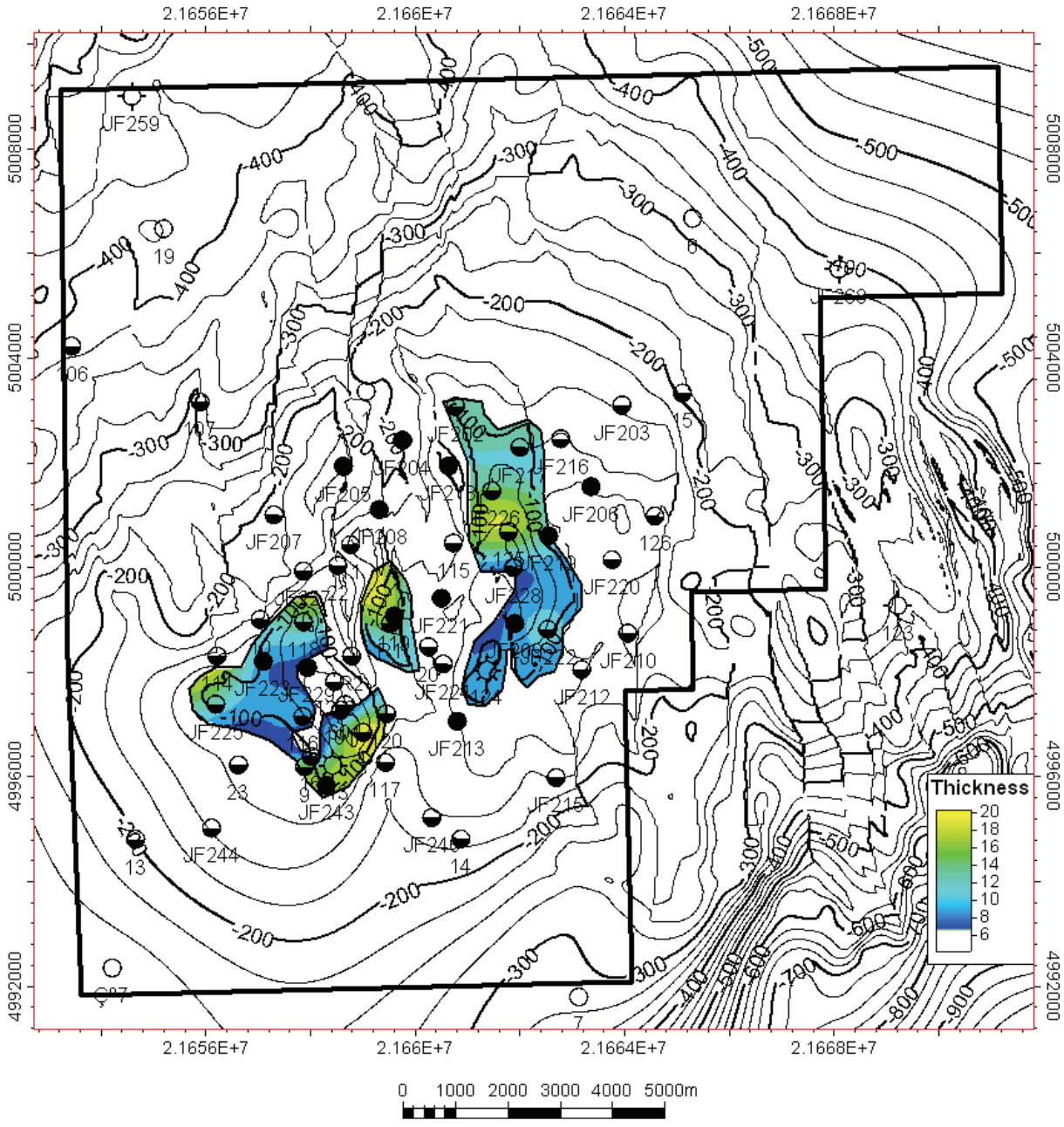


High Case Polygon
Fuyu Sand Group III

Project:K1186.01 Apr09	Checked	Appx III -6

Tri-M Technologies

Gaffney, Cline & Associates

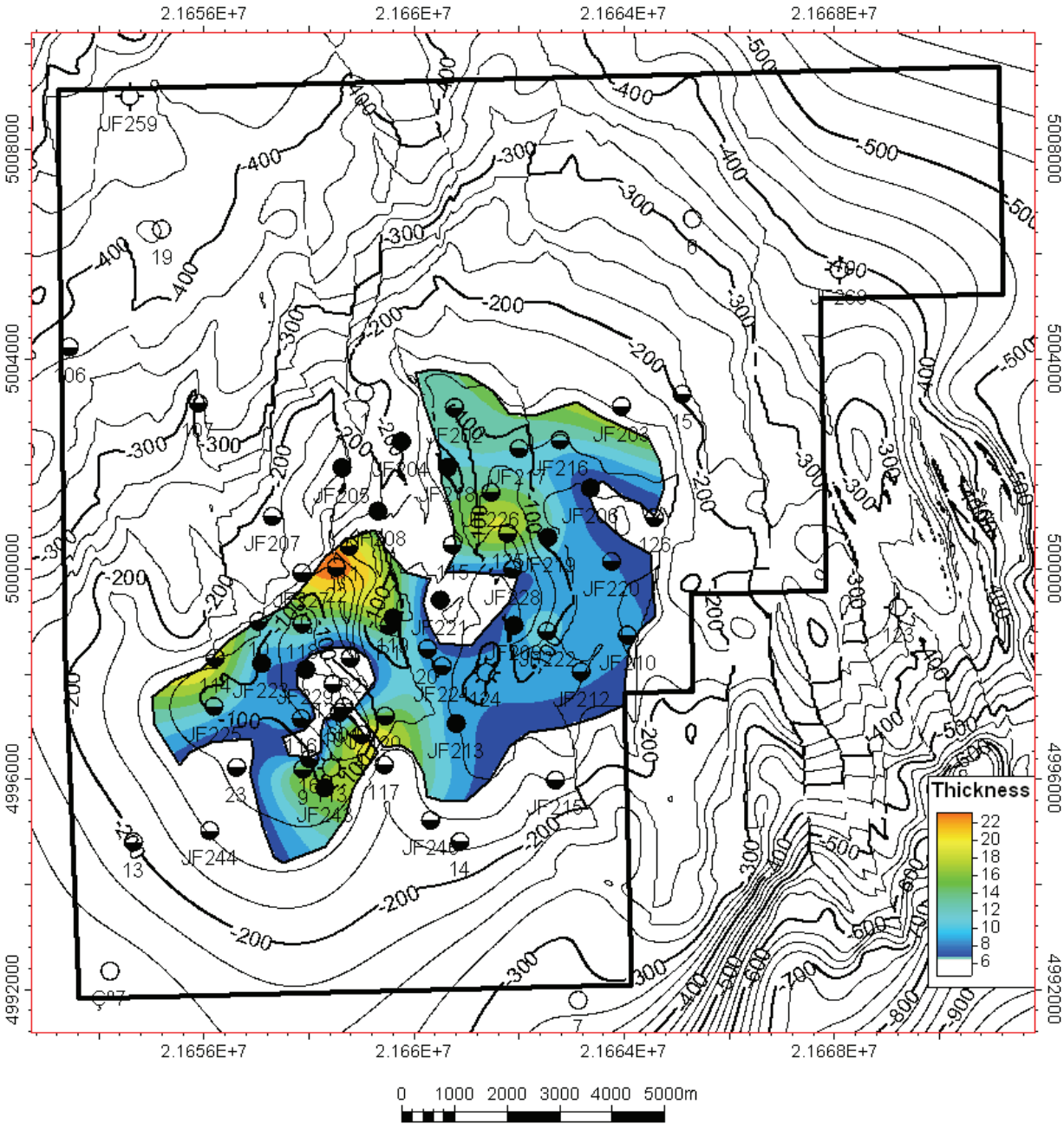


Low Case Polygon
Fuyu Sand Group IV

Project:K1186.01 Apr09	Checked	Appx III -7

Tri-M Technologies

Gaffney, Cline & Associates

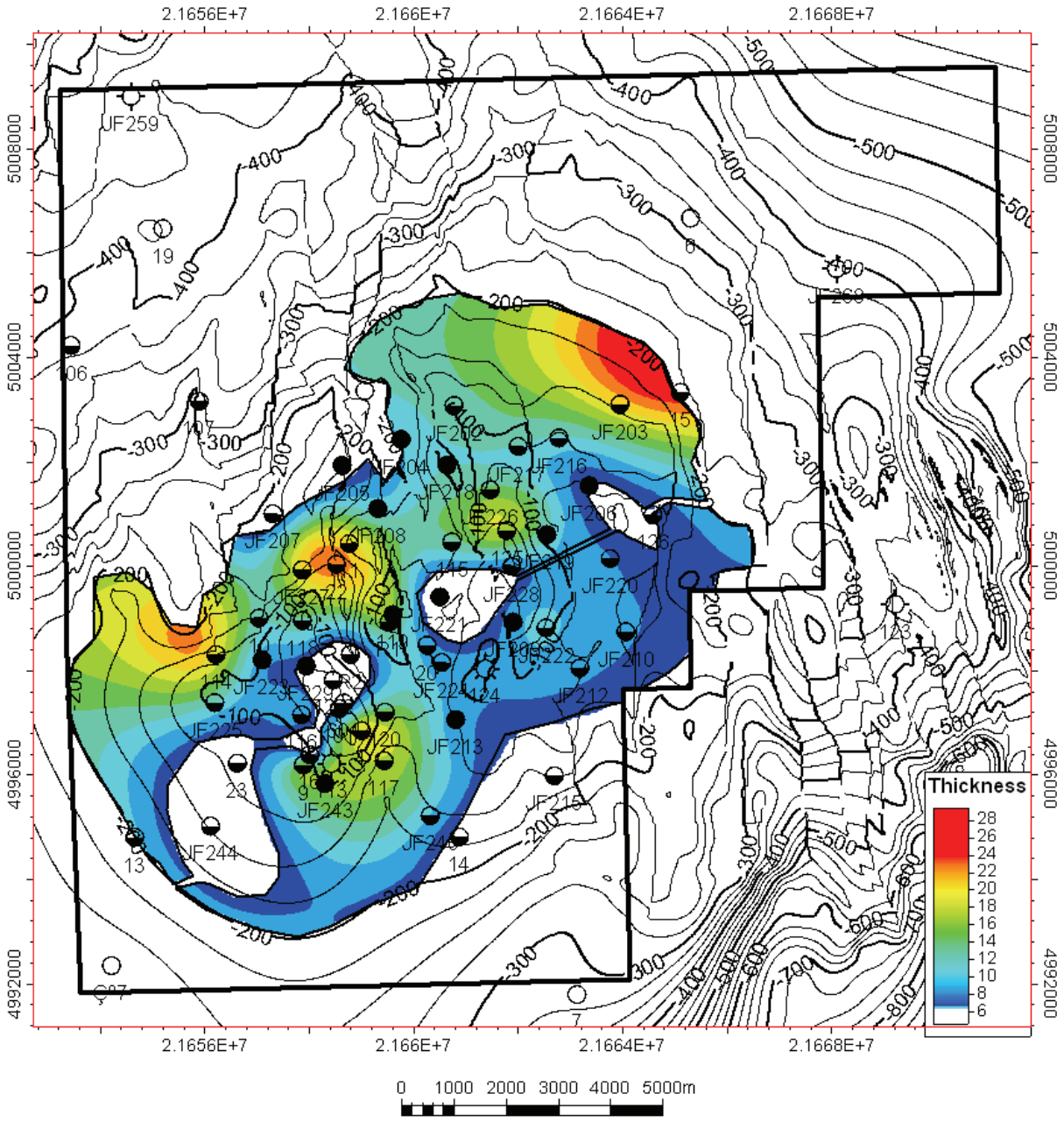


Best Case Polygon
Fuyu Sand Group IV

Project:K1186.01 Apr09	Checked	Appx III -8

Tri-M Technologies

Gaffney, Cline & Associates



High Case Polygon
Fuyu Sand Group IV

Project:K1186.01 Apr09	Checked	Appx III -9

Tri-M Technologies

APPENDIX D
THE ECONOMIC EVALUATION REPORT OF GCA IN RESPECT OF THE HYDROCARBON ASSETS IN THE FUYU 1 BLOCK

Gaffney, Cline & Associates (Consultants) Pte Ltd
Technical and Management Advisers to the Petroleum Industry Internationally Since 1962

80 Anson Road, #31-01C
Fuji Xerox Towers
Singapore 079907
Telephone: +65 6225 6951
Facsimile: +65 6224 0842
email:gcas@gaffney-cline.com
www.gaffney-cline.com

Registration No. 198701453N

SK/dh/0054/2009/KK1186.01 **30th April, 2009**

Tan Sri Datuk Tiong Hiew King
Chairman
TRI-M TECHNOLOGIES (S) LTD
25 Kallang Avenue # 07-01
Singapore 339416

Dear Tan Sri,

ECONOMIC EVALUATION REPORT ON THE FUYU 1 BLOCK, JILIN, CHINA

INTRODUCTION

Gaffney, Cline & Associates (GCA) was requested by TRI-M TECHNOLOGIES (S) LTD (TRI-M) to provide an Economic Evaluation Report in conjunction with its Technical Report (SK/dh/L0037/2009/KK1186.01), dated 30th April, 2009, on Kingworld Resources Ltd (Kingworld), incorporated in British Virgin Islands that will meet the requirement for disclosure to the Singapore Stock Exchange (SGX). This Economic Evaluation Report has been based on the presentation provided to the TRI-M on 5th February, 2009.

It should be noted that this Report is not intended to give an assessment of the fair market value of Kingworld, but is meant to provide a range of Expected Monetary Values (EMVs) associated with the Fuyu 1 Block that will enable TRI-M and its shareholders to determine whether or not the consideration paid for Kingworld is reasonable.

A Petroleum Contract has been signed for the Block in Songliao basin between the previous Operator, China National Petroleum Corporation (CNPC) and Kingworld Resources Limited (Kingworld). TRI-M, a listed company on the Singapore Stock Exchange, plans to acquire Kingworld. The petroleum assets in the Fuyu 1 Block comprise a heavy oil field. At this time, the project is only in the pilot testing and initial evaluation stages.

The Production Sharing Contract (PSC) for the Fuyu 1 Block in the Jilin Province of the People's Republic of China (PRC) was executed by the CNPC and Kingworld on 12th November, 2007, for a period of three (3) years for the evaluation of the project and thereafter twenty (20) years from the Commencement of Commercial Production. The PSC is limited to a maximum of 30 years. The Fuyu 1 Block licence area extends to 254.9 km^2. Under the terms of the PSC, the Contractor, Kingworld, pays 100% of Evaluation and Development Costs and 49% of the Operating Costs, which it recovers according to a mechanism of "cost recovery oil" and "investment recovery oil" as described in the PSC. Remaining oil after Cost Recovery is

"share oil", which is apportioned between CNPC (51%) and Kingworld (49%). The Joint Venture entity will deduct all applicable taxes and Royalties that might apply in the PRC from production (in kind or in cash as applicable). Kingworld's "share oil" is subject to payment of all other Corporate Income Taxes that may be applicable in the PRC.

In carrying out this assessment, GCA has relied on the accuracy and completeness of the information provided by TRI-M.

GCA uses the Petroleum Resources Management System published in March, 2007 for estimating petroleum resources in accordance with the definitions promulgated collectively by the Society of Petroleum Engineers (SPE), the World Petroleum Council (WPC) the American Association of Petroleum Geologists (AAPG) and Society of Petroleum Evaluation Engineers (SPEE), known as the SPE PRMS and attached here as **Appendix I**.

The hydrocarbon volumes are estimates based on professional engineering judgment and are subject to future revisions, upward or downward, as a result of future operations or as additional information become available.

It should be clearly understood that the Net Present Value (NPV) or EMV of future revenue potential of a petroleum property, such as those discussed in this Report, does not represent a GCA opinion as to the market value of Kingworld, nor any interest in it. In assessing a likely market value, it may be necessary to take into account a number of additional factors including: reserves risk (i.e. that Proved and or Probable reserves may not be realised within the anticipated timeframe for their exploitation); perceptions of economic and sovereign risk: potential upside, such as in this case exploitation of reserves beyond the Proved and Probable level; other benefits, encumbrances or charges that may pertain to a particular interest and the competitive state of the market at the time. GCA has explicitly not taken such factors into account in deriving the NPVs presented herein.

This assessment has been conducted within the context of GCA's understanding of the effects of Petroleum Legislation, taxation and other regulations that currently pertain to the asset. However, GCA is not in a position to attest to the property title, financial interest relationships or encumbrances thereon for any part of the asset reviewed.

GCA is an independent energy consultancy specialising in petroleum asset evaluation and economic analysis. In the preparation of this report, GCA has maintained, and continues to maintain, a strict consultant-client relationship with TRI-M. The management and employees of GCA have been, and continue to be, independent of with TRI-M and Kingworld in the services they provide to with TRI-M, including the provision of the opinion expressed in this assessment. Furthermore, the management and employees of GCA have no interest in any assets or share capital of with TRI-M and Kingworld or in the promotion of TRI-M and Kingworld.

This report must only be used for the purpose for which it was intended, and must not be used without the prior written consent of GCA. We respectfully draw your attention to GCA's Standard Contract Conditions where, under the heading "Publication of Consultant's Work", there is a provision stating "The Client will obtain GCA's approval for the use, and context of the use, of any results, statements or opinions expressed to the Client, which are attributed to GCA. Such approval shall include, but not be confined to, statements or references in documents of a public or semi-public nature such as loan agreements, prospectuses, reserve statements, press releases etc."

1. TECHNICAL REPORT SUMMARY

The Fuyu 1 Block was explored by CNPC in 1984. A few wells had oil shows, but the oil did not flow to the surface during conventional well test. The Fuyu 119 well was further tested in August, 1984 by the Huff 'n' Puff method, by injecting steam and soaking the well for two days before flow testing the well. During the test, the initial production was 8.7 tonnes of oil per day which declined over 35 days, providing an average of 2.38 tonnes per day over the well test period.

After discovery, the field was not developed because the Fuyu 1 Block heavy oil reservoir has low permeability, multiple layers of low sand thickness, low oil saturation and the field is compartmentalized by shale barriers and faults and combined 13 spot well pattern, therefore, more complex, when compared to the other heavy oil projects in China. Now, the relatively low cost of developing the shallow reservoir, the low cost of production in China, advancement in technology could make the project commercially viable, but this has yet to be determined; hence the current Evaluation Phase under assessment. Recently, a team from China University of Petroleum, Beijing (CUPB) analysed the sub-surface, development methods and potential economics towards a concept basis. The report has developed a project evaluation basis for testing two well patterns of inverted 9-spot well pattern and combined 13-spot well pattern. The CUPB report is based on potential concepts from heavy oil production from other oilfields in different basins in China, such as, Liaohe, Shengli, Xinjiang and Henan. Based on the past history in China, they have modelled the field development in two stages on combined thirteen well pattern and have estimated that the NPV of the project will be favourable for all the stakeholders – PRC, CNPC and Kingworld.

GCA agrees with the pilot study concept basis suggested by CUPB, but without any analog, it is very difficult to predict production behavior of the horizontal well and combined 13 spot well pattern or the corresponding steam consumption. Due to the lack of information on the performance of the combined 13 spot well pattern at this stage, GCA has based the Fuyu I field development on an inverted 9-spot well pattern and vertical wells, similar to the development in the Karamay and Leng Jiapu oilfields in China. The Block needs to be appraised further with some step-out wells to define the extent of 1C, 2C and 3C Contingent Resources boundaries within the block. The Fuyu 119 well test has confirmed the possibility of heavy oil production, but the method of development and production trend from the wells can be ascertained only by the pilot test during the evaluation period. Until the technical process to produce the oil from the field is properly established and the Overall Development Plan (ODP) is approved by the Government, recoverable volumes can only be termed as Contingent Resources, and not Reserves, under the SPE PRMS definitions (see **Appendix I**).

Kingworld has started the Evaluation Programme with seismic acquisition and parametric wells to achieve the following objectives:

- Identify the optimum process for commercial recovery of oil;
- Prepare Stock Tank Oil Initially in Place (STOIIP) estimates and a Reserves report;
- Submit land use and Environment Impact proposal for Government approval;
- Compile Overall Development Plan and seek Government approval.

Kingworld has recently drilled 31 appraisal wells in different parts of the Block, including areas beyond the committed Evaluation Programme. 29 of these wells have confirmed oil pay based on log analysis results, and 6 of the wells have tested oil with the Huff 'n' Puff method. 3 wells have been put on trial production over the last few months. Two step-out appraisal wells targeted at distinct fluvial objects have proved to be dry. The results from these recent

appraisal wells are encouraging and appear to support the results from the Concept Study performed by the CUPB, which was based on the old CNPC data.

The Fuyu 1 Block is located south east of the Fuyu Oilfield, in the Jilin Province of northern China. The present topography of the area around the Block is dominated by a nearly featureless flatland and gently undulating hills dissected by rivers and lakes. The elevation is between 140 -160 m above sea level. The area forms part of the Songliao Basin, a large intracratonic rift basin which is one of the largest petroleum producing regions in China, and in which major oil fields such as Daqing, Fuyu and XinMin are also situated. The Fuyu 1 Block is located south east of the Central Basinal part of the Songliao Basin, at the western edge of the Southern Uplift. Here, the Quantou Formation which members are the main reservoirs in many of the surrounding oil fields is uplifted to a shallow depth resulting in shallower reservoir depth but the oil is heavier than that found in deeper parts of the basin.

GCA calculated the initial oil-in-place (STOIIP) from the gross rock volume (GRV) and petrophysical parameters for each sand group, since the distribution of the net thicknesses is different for each sand group. Further, GCA determined the polygons for Low, Best and High Estimate areas for each sand group, taking into account the distribution of net thicknesses of 7 m and higher, which is considered the minimum thickness needed for a successful thermal recovery process. Based on the Low, Best and High Estimate areas, 100 m well spacing and inverted 9-spot well pattern, GCA estimated the number of wells that have to be drilled to develop the field for the three cases.

For the three cases assessed by GCA, well flow performance type curves were derived for both the thermal stimulation methods - Huff ‘n’ Puff Method and Steam flooding. The field production profile for the Low, Best and High Case was estimated based on the number of wells, well type curve and well decline analysis. GCA estimated the CAPEX and OPEX profiles reasonable for such thermal oil recovery projects in the region to correspond to the production profiles. GCA performed an Economic Limit Test (ELT) to estimate the 1C, 2C and 3C Contingent Resources and Net Entitlement of Kingworld in the Project. The 1C, 2C and 3C Cases are derived from the Low, Best and High Cases and represent the range of uncertainty that is currently associated with the Project, in accordance with the SPE PRMS guidelines.

Kingworld’s interest in the PSC is presented in **Table 1**.

A summary of the 1C, 2C and 3C Contingent Resources is presented in **Table 2**.

TABLE 1

WORKING INTEREST AND LICENCE STATUS AS OF 31st DECEMBER, 2008

Asset	Interest Holders	Interest (%)	Status	Licence Expiry Date	Licence Area (km^2)	Comments
Production Licence						
Fuyu 1 Block	Kingworld	100%	Appraisal	11th November, 2031	254	A discovered heavy oil field undergoing appraisal for development.

Note: CNPC has an entitlement to of 51% of "share oil" and pays 51% of OPEX.

TABLE 2

SUMMARY OF GROSS AND NET ENTITLEMENT CONTINGENT RESOURCES AS OF 31st DECEMBER, 2008

Gross Contingent Resources			Net Entitlement Attributable to Kingworld		
1C	2C	3C	1C	2C	3C
MMTonnes	MMTonnes	MMTonnes	MMTonnes	MMTonnes	MMTonnes
1.859	10.509	29.599	0.906	5.144	14.435

Notes:
1. Gross Contingent Resources are 100% of the Contingent Resources attributable to the licence.
2. Contingent Resources are estimated on the basis of GCA's forecasts of production, costs and price profiles for the development and operation of the Fuyu 1 Block.
3. Net Entitlement Contingent Resources reflect net economic entitlement attributable to Kingworld converted to equivalent tonnes, and reflect the costs associated with the development concept.
4. Evaluation based on GCA's 1Q 2009 SPE Forecast Price Scenario.

2. ECONOMIC ANALYSIS

GCA has based its Economic Analysis on the Contingent Resources assessed in its Technical Report (SK/dh/L0037/2009/KK1186.01), dated 30th April, 2009. GCA undertook Economic Limit Tests (ELT) in order to determine the volume of Contingent Resources for each of the 1C, 2C and 3C categories. The unrisked NPVs associated with the production and cost profiles associated with the three Contingent Resources cases was then calculated and used as inputs to the EMV analysis.

2.1 Economic Limit Test (ELT)

GCA has conducted an economic analysis of the project Contingent Resources as of 31st December, 2008. GCA has built a spreadsheet-based economic model for the determination of the ELT and the subsequent economic analysis detailed herein.

The ELTs and the subsequent base case economic analysis has been conducted in accordance with SPE PRMS, using the Price Scenario (in Nominal terms) provided below. GCA was advised by Kingworld that a discount of U.S.$16.80/bbl to Brent is applicable for the sale of Fuyu 1 crude.

CRUDE PRICE SCENARIO (U.S.$/bbl)

Year	Brent Crude	Fuyu 1 Crude	Cost Inflation
2009	55.55	38.75	Nil
2010	65.30	48.50	2.0%
2011	70.33	53.53	2.0%
2012	73.37	56.57	2.0%
2013	75.77	58.97	2.0%
2014	77.29	60.49	2.0%
2015 Onward	+ 2.0% p.a.		+ 2.0% p.a.

Notes:
1. From 2014 onwards, Fuyu crude price is escalated in line with the Brent "marker crude", maintaining the U.S.$16.80/bbl discount.
2. The conversion factor is 6.62 bbls for 1 tonne of Fuyu crude.

It must be noted that the above pricing was based on conditions prevailing at the Effective Date of 31st December, 2008. The period preceding that date was marked by rapidly changing oil prices, a trend which has continued into 2009. The prices prevailing at end-February, when this report was issued, are some 10 to 15% lower than those quoted above.

2.2 Contract Summary and Fiscal Terms

A Petroleum Contract for the development and production of petroleum in the Fuyu 1 Block of the Songliao Basin in the People's Republic of China was entered into and signed between CNPC and Kingworld on 12th November, 2007. The Date of Commencement of Commercial Production would be upon the completion of development operations indicated in the CNPC-approved Overall Development Plan (ODP).

The fiscal terms relating to the development and production of Fuyu 1 Block are summarized below.

A. The Contract Term has a maximum of 30 years and includes:

1. Evaluation Period:

a. Phase 1 for two consecutive years which includes a minimum commitment consisting of the drilling of 30 appraisal wells with a total well footage of 12,000 m, completion of a 200 km. 2D seismic survey and 60 km^2 of 3D seismic survey. Subsequently, three reports, namely a Development Geology Evaluation, Reservoir Engineering Evaluation and Economic Evaluation, will be submitted to the Joint Management Committee. The total minimum commitment cost for Phase 1 is U.S. $20 MM.

b. Phase 2 for a year to include the completion of the ODP with a minimum commitment cost of U.S. $2.5 MM. Phase 2 should also cover the CNPC approval period for the submitted ODP. The term for Phase 2 may be extended with approval from CNPC.

2. Development Period commences on the date of approval of the ODP through the completion of the Development Program.

3. Production Period for 20 years from the Date of Commencement of Commercial Production. (It was noted that the three years may be insufficient to complete the steam enhanced oil recovery evaluation of the Pilot Test).

B. Value Added Tax (VAT) at 5% of production – based on GCA's understanding of the current fiscal system in the PRC. VAT is not implicitly implied in the contract provided to GCA.

C. Royalty on production at the following scale:

Annual Production Level	Royalty
< 0.5 MM tonnes	Nil
0.5 – 1.0 MM tonnes	2.0%
1.0 – 2.0 MM tonnes	4.0%
2.0 – 3.0 MM tonnes	6.0%
3.0 – 4.0 MM tonnes	10.0%
> 4.0 MM tonnes	12.5%

Again, these Royalty rates are not specified in the contract provided to GCA. This assumption has been included based on GCA's experience of the current fiscal regime in the PRC.

D. Cost Recovery Limit is 65% of the annual gross production and will be used to pay for cost recovery in the following sequence:

1. Cost Recovery (in kind) for Operating Costs, which is split between CNPC and Kingworld based on a ratio of 51:49 in accordance with their respective entitlements to "Share Oil".

2. Investment Recovery Oil: the remaining Cost Oil Recovery after deduction of item a) above will be allocated to the evaluation and development costs until these costs are fully recovered, and are recovered before development phase costs are recovered. Evaluation and development costs are borne solely by the Contractor.

E. Profit Share Oil will be split between CNPC and Kingworld based on a ratio of 51:49. Any production volume of crude from the wells drilled by Kingworld during the Evaluation Period will be split between CNPC and Kingworld in a ratio of 70:30.

F. The quality and quantity of the crude oil will be determined at the Delivery Point. Price indicated in U.S.$/tonne will be set on a quarterly basis, FOB at the Delivery Point.

G. A Signature Fee of U.S. $400,000 is to be paid by the Contractor to CNPC within 30 days of the signing of the Petroleum Contract and is not cost recoverable.

H. Training and technology transfer costs of CNPC personnel will be incurred by the Contractor at U.S. $80,000 per year, during the Evaluation Period and U.S. $200,000 per annum, during the Development and Production Periods.

I. CNPC Assistance charges will also be borne fully by the Contractor at U.S. $100,000 per annum, during the Evaluation Period and U.S. $300,000 per annum, during the Development and Production Period.

J. Corporate Income Tax is assumed to be 25%.

K. The contract expires on 12th November, 2031.

2.3 Special Petroleum Revenue Tax

A Special Petroleum Revenue Tax (SPRT) applicable to oil production in China was enacted in 2006. The terms are understood to be as follows:

Oil Sales Price (US$/bbl)	SPRT
< 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 document from the PRC's Ministry of Finance relating to the SPRT dated 25th March, 2006.

GCA has been advised that under the terms of the PSC (Annex II – Accounting Procedure), SPRT is a cost recoverable item. SPRT has been modeled in this manner for this analysis.

2.4 Economic Environment

The Effective Date of all the data used in the economic analysis and discounted cash flow is 31st December, 2008. The crude price differential to Brent used in this evaluation is maintained at U.S. $16.80/bbl, before any price escalation. This assumed differential is based on the March, 2007 to February, 2008 average of the U.S. FOB cost of imported crude with an

API gravity of 20 or less as published by the U.S. Energy Information Administration as compared with the average Brent price over the same period.

In conducting the economic evaluation, GCA has used the same Price Scenario as for the ELT. These price and escalation/inflation assumptions are typically used by GCA in economic evaluations of assets of this kind.

2.5 Results of NPV Economic Analysis

The results of **unrisked** discounted pre-tax and post-tax cashflows utilizing the above prices and cost assumptions, at a number of Nominal discount rates (10%, 12% and 15%), are summarised in the table below and included in **Appendix II**. All NPVs quoted are attributable to Kingworld's net entitlement in the Fuyu 1 Block.

SUMMARY OF UNRISKED NPV ATTRIBUTABLE TO KINGWORLD'S INTEREST IN THE FUYU 1 BLOCK AS OF 31st DECEMBER, 2008

CONTINGENT RESOURCE CATEGORY	NPV OF FUTURE NET REVENUE (U.S.$ MM)					
	Pre-Tax			Post-Tax		
	NPV10	NPV12	NPV15	NPV10	NPV12	NPV15
1C	-24.4	-26.5	-28.6	-34.8	-35.8	-36.4
2C	378.4	311.2	234.8	319.2	261.8	196.5
3C	1,204.0	966.4	708.3	1,009.7	810.6	594.2

Notes:

1. Pre-Tax NPV is attributable to Kingworld's cash flow prior to income tax and SPRT deductions.
2. Post-Tax NPV is attributable to Kingworld cash flow under the terms of the Contract and after the deduction of VAT, Royalty, Corporate Income Tax, SPRT, and CNPC Profit Share.

These NPVs represent **unrisked** future net revenue, before and after taxes, attributable to the interests of Kingworld, discounted over the economic life of the project at a specified discount rate to a present value as of 31st December, 2008.

This assessment was conducted within the context of GCA's understanding of the effects of Petroleum Legislation, taxation and other regulations that currently pertain to the asset. However, GCA is not in a position to attest to the property title, financial interest relationships or encumbrances thereon for any part of the asset reviewed.

2.6 Sensitivity Analysis

Sensitivity analysis on post-tax NPVs was carried out on the three Contingent Resources cases for the following scenarios:

- Oil Price: +/- US$10/bbl
- CAPEX: +/- 20%
- OPEX: +/- 20%
- Project development delay of 2 years

SUMMARY OF UNRISKED NPVS ATTRIBUTABLE TO KINGWORLD'S INTEREST IN FUYU 1 BLOCK AS OF 31st DECEMBER, 2008

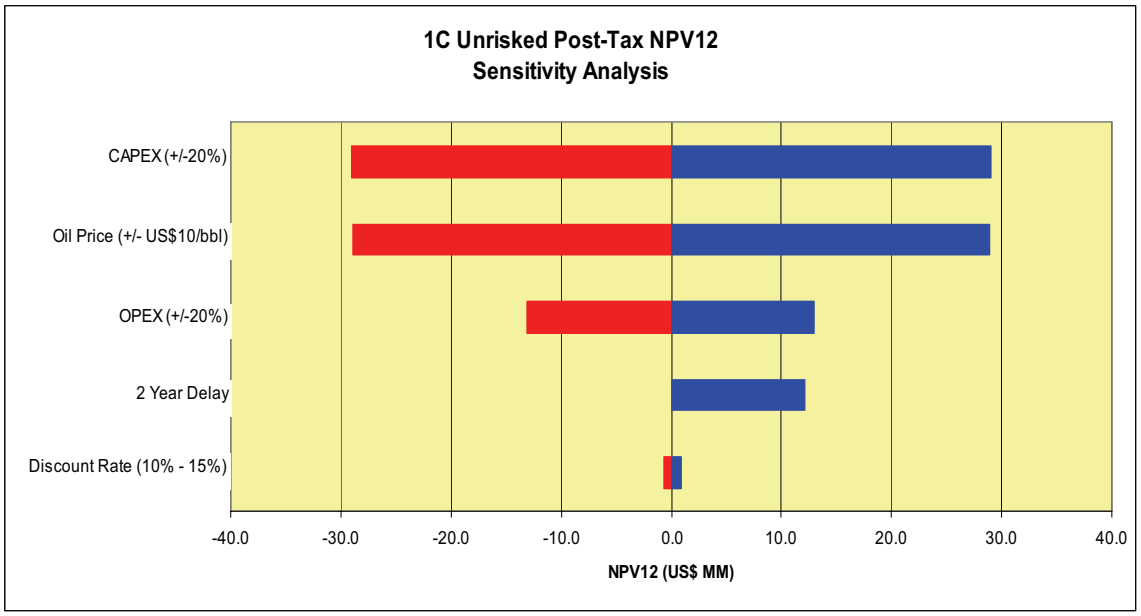
	Post-Tax NPV (US$ MM)		
	10%	**12%**	**15%**
1C Case	-34.8	-35.8	-36.4
1C 2yr delay	-23.0	-23.6	-23.8
1C +US$10/bbl	-2.7	-6.9	-11.6
1C -US$10/bbl	-67.0	-64.7	-61.3
1C +20% CAPEX	-66.3	-64.8	-62.4
1C −20% CAPEX	-3.4	-6.7	-10.4
1C +20% OPEX	-49.5	-48.9	-47.6
1C −20% OPEX	-20.4	-22.8	-25.4

	Post-Tax NPV (US$ MM)		
	10%	**12%**	**15%**
2C Case	319.2	261.8	196.5
2C 2yr delay	288.3	229.8	165.3
2C +US$10/bbl	440.5	366.5	281.8
2C -US$10/bbl	180.2	143.3	101.6
2C +20% CAPEX	264.2	212.1	153.5
2C −20% CAPEX	371.4	308.9	237.4
2C +20% OPEX	258.6	211.7	158.0
2C −20% OPEX	364.8	300.0	226.5

	Post-Tax NPV (US$ MM)		
	10%	**12%**	**15%**
3C Case	1,009.7	810.6	594.2
3C 2yr delay	874.4	682.8	480.5
3C +US$10/bbl	1,271.3	1,027.4	761.2
3C -US$10/bbl	747.9	593.5	426.8
3C +20% CAPEX	931.5	742.7	538.3
3C −20% CAPEX	1,087.6	878.2	649.8
3C +20% OPEX	916.8	736.8	540.5
3C −20% OPEX	1,089.3	875.2	642.6

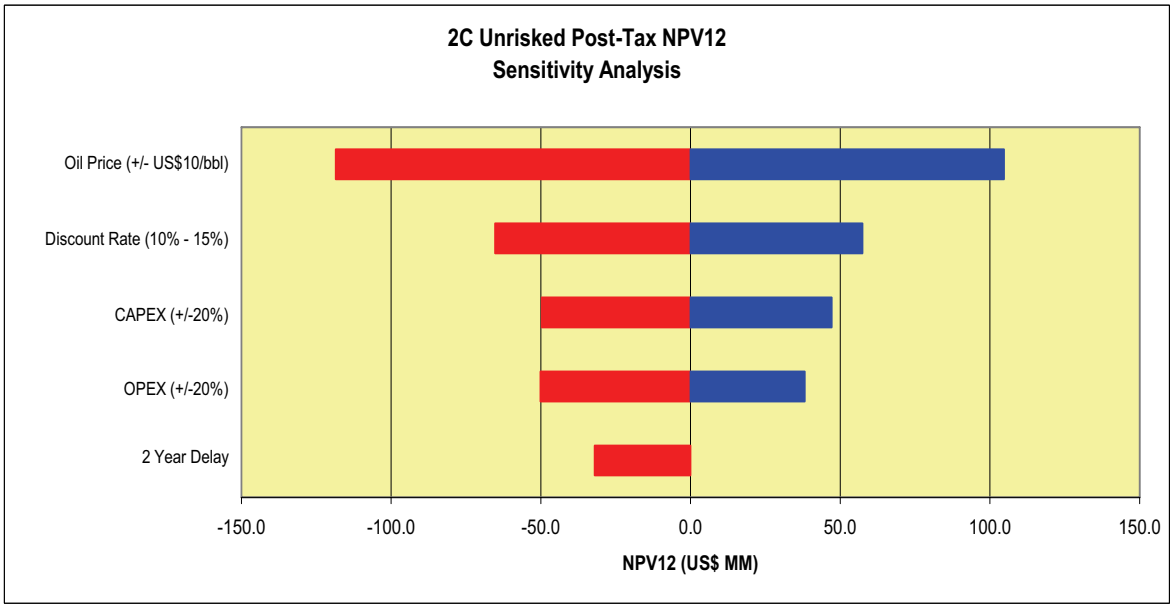
The results of the **unrisked** post-tax NPVs from this Sensitivity Analysis, using the 12% discount rate as the base, are presented graphically in **Figures 1, 2** and **3** for the 1C, 2C and 3C Cases respectively.

Figure 1 - 1C Contingent Resources NPV12 Sensitivity Analysis



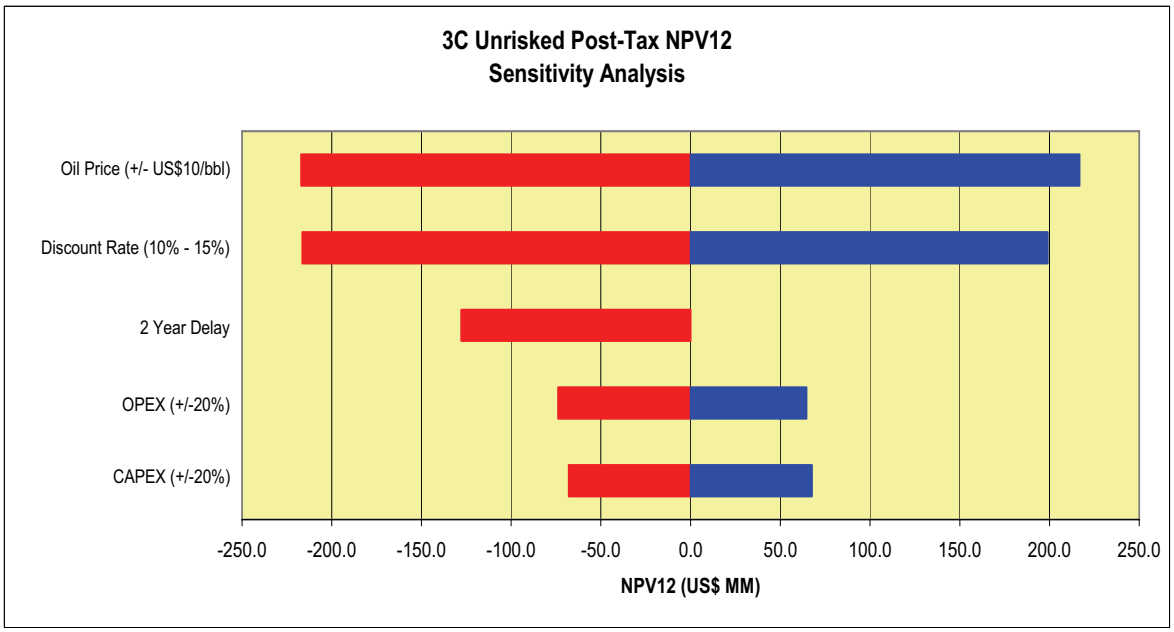
Note: The sensitivity analysis has been represented with respect to the base case NPV at 12% discount. This has been measured as a difference with the base case and not as any absolute value by itself.

Figure 2 - 2C Contingent Resources NPV12 Sensitivity Analysis



Note: The sensitivity analysis has been represented with respect to the base case NPV at 12% discount. This has been measured as a difference with the base case and not as any absolute value by itself.

Figure 3 - 3C Contingent Resources NPV12 Sensitivity Analysis



Note: The sensitivity analysis has been represented with respect to the base case NPV at 12% discount. This has been measured as a difference with the base case and not as any absolute value by itself.

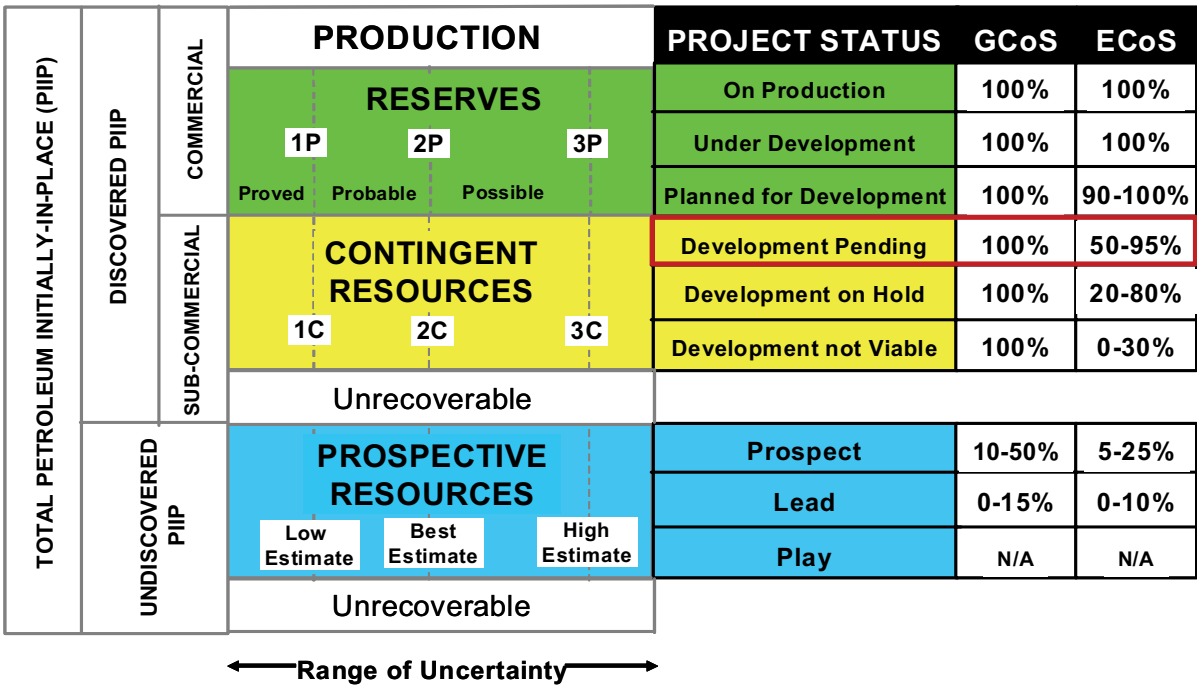
3. ECONOMIC EVALUATION

GCA has considered its economic evaluation for the Fuyu 1 Block, based on its prior experience of fields in the same region of China. GCA believes that because of the following reasons, the methodology can reasonably be applied to the Fuyu 1 Block, taking into account appropriate "risk factors":

- regional geology is known and reasonably well understood;
- the technology being evaluated for the produced crude oil is known to work in China and other regions of the world, and is under evaluation for the reservoirs in the Fuyu 1 Block;
- skilled manpower is readily available for hire locally;
- produced crude oil is being sold at world market prices adjusted for crude quality and location;
- GCA has assessed the Production Sharing Contract (PSC) that governs field operations and the sharing of revenues and costs.

An ECoS (Economic Chance of Success) or risk factor must be applied, since there are risks associated with the commercialisation of the project (failure of the pilot project, delays caused by project evaluation and obtaining approval of the field development plan [FDP]). Based on GCA's experience in the region, a 70% risking would be applied. The 70% ECoS assumption is in line with GCA's experience of likely risk factors summarised in **Figure 4** shown below. In effect, the ECoS is the chance that Contingent Resources will mature into Reserves and reflects the early evaluation stage of Fuyu project.

Figure 4 - Resource Classifications Chance of Success



GCA has considered 3 Scenarios in conducting the economic evaluation / EMV analysis of the Fuyu 1 Block, as provided below. The Economic Environment assumptions for each of the Scenarios are those GCA uses for techno-economic evaluations and are reviewed on (at least) a quarterly basis.

Scenario 1:

- Contingent Resources as at **31st December, 2008** per GCA's Technical Report (ref: SK/dh/L0037/2009/KK1186.01);
- Post-tax Nominal discount rates of 10%, 12% and 15%;
- Economic Environment as provided below:

Year	Brent Crude	Fuyu 1 Crude	Cost Inflation
2009	55.55	38.75	Nil
2010	65.30	48.50	2.0%
2011	70.33	53.53	2.0%
2012	73.37	56.57	2.0%
2013	75.77	58.97	2.0%
2014	77.29	60.49	2.0%
2015 Onward	+ 2.0% p.a.		+ 2.0% p.a.

Scenario 2:

- Contingent Resources as at **31st December, 2008** per GCA's Technical Report (ref: SK/dh/L0037/2009/KK1186.01) with field development delayed by 2 years;
- Post-tax Nominal discount rates of 10%, 12% and 15%;
- Economic Environment as provided below:

Year	Brent Crude	Fuyu 1 Crude	Cost Inflation
2009	55.55	38.75	Nil
2010	65.30	48.50	2.0%
2011	70.33	53.53	2.0%
2012	73.37	56.57	2.0%
2013	75.77	58.97	2.0%
2014	77.29	60.49	2.0%
2015 Onward	+ 2.0% p.a.		+ 2.0% p.a.

Scenario 3:

- Contingent Resources as at **31st December, 2008** per GCA's Technical Report (ref: SK/dh/L0037/2009/KK1186.01);
- Post-tax Nominal discount rates of 10%, 12% and 15%;
- Economic Environment as provided below, based on latest Brent Strip available at 26th February, 2009.

Year	Brent Crude	Fuyu 1 Crude	Cost Inflation
2009	50.01	33.21	Nil
2010	56.12	39.32	2.0%
2011	61.07	44.27	2.0%
2012	64.65	47.85	2.0%
2013	67.43	50.63	2.0%
2014	69.97	53.17	2.0%
2015 Onward	+ 2.0% p.a.		+ 2.0% p.a.

EMV Analysis:

The EMV analysis has been conducted on the three Contingent Resources cases (1C, 2C and 3C) at Nominal discount rates of 10%, 12% and 15%:

EMV = ECoS x NPV – (1-ECoS) x RC

Where:
Expected Monetary Value (EMV) is defined as the mean of all the possible value outcomes of opportunity to test a Prospective or Contingent resource, where there is some assessable risk that the project will not mature to revenue-generating status.

ECoS = Risk Factor (70% for all 3 Scenarios)
NPV = post-tax (U.S. $ MM) at Nominal discount rates of 10%, 12% and 15%
RC = **Risked Capital (cost of Pilot Study = U.S. $22.5 MM)**

Based on the foregoing Scenarios, GCA has arrived at a range of EMVs for the Fuyu 1 Block as summarised below:

FUYU 1 BLOCK EMV RANGE BY SCENARIO

	Scenario 1			Scenario 2			Scenario 3		
	EMV_{10}	EMV_{12}	EMV_{15}	EMV_{10}	EMV_{12}	EMV_{15}	EMV_{10}	EMV_{12}	EMV_{15}
1C Case	**-31.1**	**-31.8**	**-32.2**	**-22.8**	**-23.3**	**-23.4**	**-49.4**	**-48.2**	**-46.4**
2C Case	**216.7**	**176.5**	**130.8**	**195.1**	**154.1**	**109.0**	**135.5**	**107.6**	**75.8**
3C Case	**700.0**	**560.7**	**409.2**	**605.3**	**471.2**	**329.6**	**544.0**	**431.9**	**310.6**

Notes:
1. Scenarios 1 and 2 have an Effective Date as of 31st December, 2008.
2. Scenario 3 has an Effective Date as of 31st December, 2008 but Crude oil strip price as at 26th February, 2009.

Using Swanson's Rule to determine the Mean EMV for the Fuyu 1 Block at 10%, 12% and 15% Nominal discount rates, the results are as follows:

	EMV_{10}	EMV_{12}	EMV_{15}
Scenario 1	287.3	229.3	165.4
Scenario 2	252.8	196.0	135.4
Scenario 3	202.6	158.2	109.6

Where:
Mean EMV = 0.3 x EMV_{1C} + 0.4 x EMV_{2C} + 0.3 x EMV_{3C}

GCA suggests that, for a transaction effective 31st December, 2008, the EMV range of U.S. $160 – 230 MM at 12% discount rate could be considered reasonable.

It should be noted that the EMVs that are shown above represent the post-tax future net revenue, after application of the relevant risk factors outlined in paragraph 3 of this section of the Economic Evaluation Report, attributable to the interest of Kingworld, discounted over the economic life of the project at the specified discount rates to the present values as of the relevant dates indicated above.

However, in assessing a likely market value of Kingworld, or any interest in it, it may also be necessary to take into account a number of additional factors including: perceptions of economic and sovereign risk: potential upside, such as, in this case, exploitation of beyond the 3C level; other benefits, encumbrances or charges that may pertain to a particular interest and the competitive state of the market at the time. GCA has explicitly not taken such factors into account in deriving the EMVs presented herein.

4. QUALIFICATIONS

GCA is an independent international energy advisory group of over 46 years' standing whose specialties include petroleum reservoir evaluation and economic analysis.

The report is based on information compiled by members of staff who are full time employees of GCA.

Staff who participated in the compilation of this Economic Evaluation Report includes Mr. David Ahye, Mr. Suresh Kumar and Mr. Paul McGhee. All hold at least a bachelor's degree in geoscience, petroleum engineering or related discipline. Mr. Ahye holds a B.Sc. (Hons) in Chemical Engineering, is a member of the Society of Petroleum Engineers (SPE), and has more than 30 years of experience in reservoir engineering and field development. He is currently the Regional Manager of GCA – Asia Pacific Region. Mr. Kumar holds a B.Tech (Mechanical Engineering) and an MBA, is an active member of the Society of Petroleum Engineers (SPE), SEA Petroleum Exploration Society (SEAPEX) and has over 25 years of experience in the operation of oil fields. Mr. McGhee holds a B.Sc (Hons) in Chemical Engineering, is an active member of Society of Petroleum Engineers (SPE), the Association of International Petroleum Negotiators (AIPN) and the Institute of Chemical Engineering (UK), and has over 25 years of industry experience, principally in the field of petroleum economics.

5. BASIS OF OPINION

GCA has no reason to believe that any material facts have been withheld from it, but does not warrant that its inquiries have revealed all of the matters that a more extensive examination might otherwise disclose. The opinions and statements contained in this report are made in good faith and in the belief that such opinions and statements are representative of prevailing physical and economic circumstances.

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 the property title, financial interest relationships or encumbrances thereon for any part of the appraised properties.

It should be understood that the evaluation of petroleum properties involves judgments in respect of a series of issues and parameters that cannot be measured precisely, including the volumes of hydrocarbons that can be produced and sold in the future, the revenues that those hydrocarbons may generate and the costs of producing them.

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

The opinions expressed herein represent GCA's judgment based upon its evaluation of these issues, the data that has been made available and the company's professional experience in the consideration of these matters. Any evaluation may be subject to significant variation over time as new information becomes available or perceptions of market conditions change.

As far as GCA is aware, between the dates that GCA carried out its work and the date of its Technical Report (SK/dh/L0037/2009/KK1186.01), dated 30th April, 2009, there has not been any change affecting TRI-M, Kingworld or the Fuyu 1 Block which would have a material effect on the contents of this Economic Evaluation Report.

6. DECLARATION

In preparing this Economic Evaluation Report, GCA served as an independent energy consultancy specialising in petroleum reservoir evaluation and economic analysis. The firm's management and employees have no direct or indirect interest holding in Kingworld Resources Limited and/or TRI-M Technologies (S) Ltd. GCA's remuneration was not in any way contingent on the contents of this report. In the preparation of this report, GCA has maintained, and continues to maintain, a strict consultant-client relationship with TRI-M Technologies (S) Ltd. The management and employees of GCA have been, and continue to be, independent of TRI-M Technologies (S) Ltd in the services they provide to the company including the provision of the opinions expressed in this report. Furthermore, the management and employees of GCA have no interest in any assets or share capital of Kingworld Resources Limited and/or TRI-M Technologies (S) Ltd or in the promotion of these companies.

This Economic Evaluation Report or any reference thereto may not be included in any other document or distributed for any other purpose without the prior written consent of GCA to the purpose of such distribution and to the form and context in which the report or reference appears.

Yours sincerely,
GAFFNEY, CLINE & ASSOCIATES (CONSULTANTS) PTE LTD

David Ahye
Regional Manager, Asia Pacific

Appendices:
I. Glossary
II. Cashflow Model Outputs for ELT and Economic Analysis

APPENDIX I

2007 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.

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_System_2007.pdf

[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.

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.

At this point, it must be certain that the development project is going ahead. The project must not be subject to any contingencies such as outstanding regulatory approvals or sales contracts. Forecast capital expenditures should be included in the reporting entity’s current or following year’s approved budget. The project “decision gate” is the decision to start investing capital in the construction of production facilities and/or drilling development wells.

Justified for Development

Implementation of the development project is justified on the basis of reasonable forecast commercial conditions at the time of reporting, and there are reasonable expectations that all necessary approvals/contracts will be obtained.

In order to move to this level of project maturity, and hence have reserves associated with it, the development project must be commercially viable at the time of reporting, based on the reporting entity’s assumptions of future prices, costs, etc. (‘‘forecast case’’) and the specific circumstances of the project. Evidence of a firm intention to proceed with development within a reasonable time frame will be sufficient to demonstrate commerciality. There should be a development plan in sufficient detail to support the assessment of commerciality and a reasonable expectation that any regulatory approvals or sales contracts required prior to project implementation will be forthcoming. Other than such approvals/contracts, there should be no known contingencies that could preclude the development from proceeding within a reasonable timeframe (see Reserves class). The project ‘‘decision gate’’ is the decision by the reporting entity and its partners, if any, that the project has reached a level of technical and commercial maturity sufficient to justify proceeding with development at that point in time.

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.

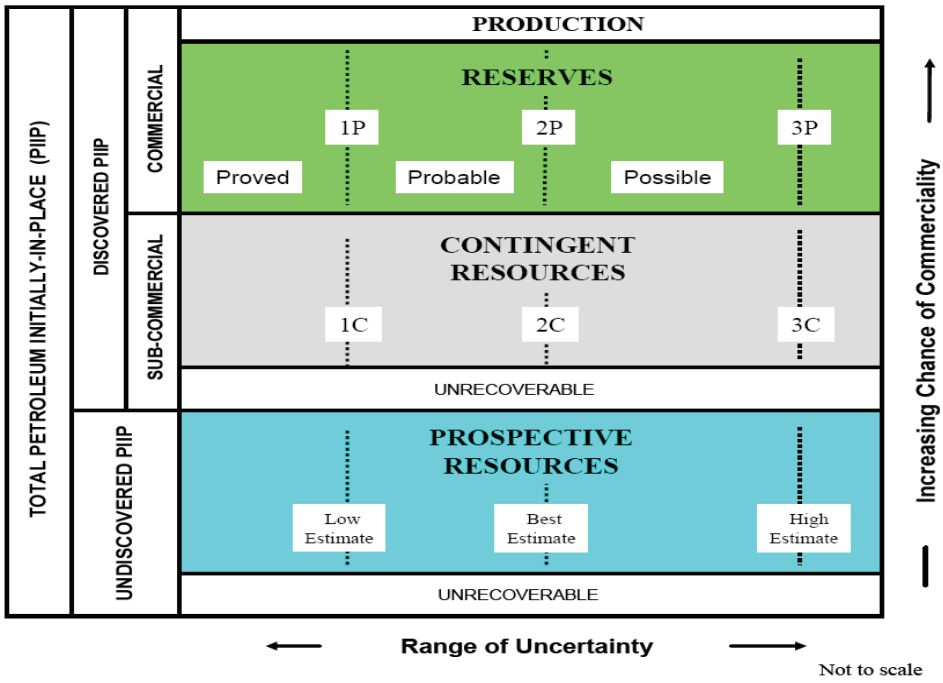
Project activities are focused on acquiring additional data and/or undertaking further evaluation designed to confirm whether or not the lead can be matured into a prospect. Such evaluation includes the assessment of the chance of discovery and, assuming discovery, the range of potential recovery under feasible development scenarios.

Play

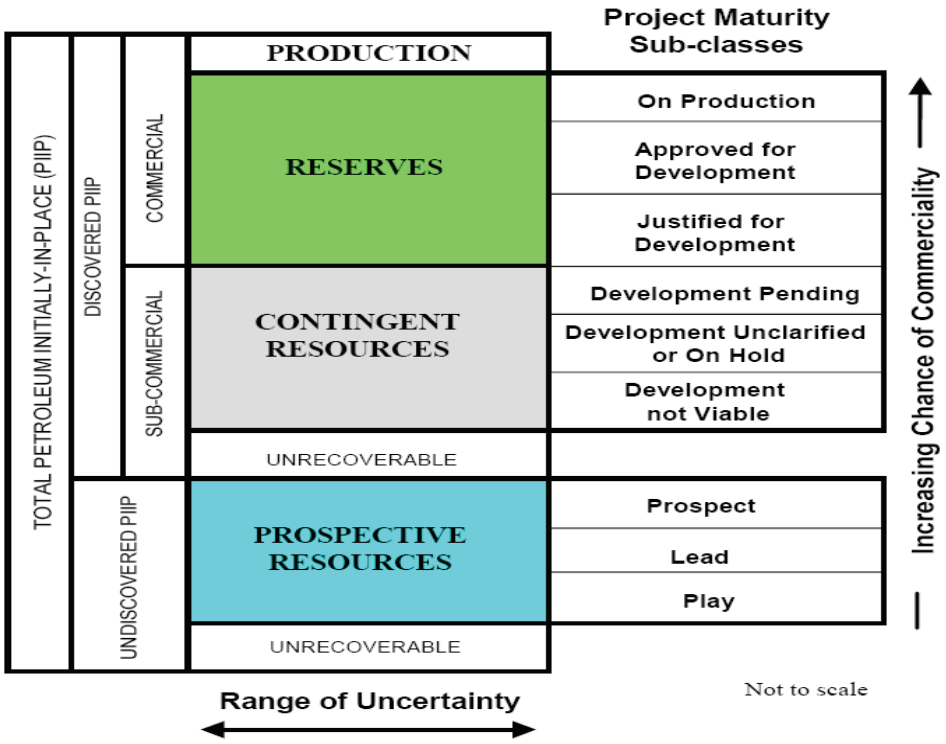
A project associated with a prospective trend of potential prospects, but which requires more data acquisition and/or evaluation in order to define specific leads or prospects.

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.

RESOURCES CLASSIFICATION



PROJECT MATURITY



APPENDIX II

CASHFLOW MODEL OUTPUTS FOR ELT AND ECONOMIC ANALYSIS

China Onshore Fuyu

Net Working Interest Cashflow Analysis

Escalated Prices & Costs

Run Date	28-Jan-09
Run Time	4:34 PM

Field:	Fuyu Blk 1	
Case:	1C Case	
	Initial	*Final*
Working Interest:	49.00%	49.00%
Revenue Interest:	100.00%	100.00%

Nominal Net Present Values as at 01-Jan-09 (US$ MM)		
Disc Rate	Pre-Tax	Post-Tax
0.0%	3.25	-17.48
5.0%	-15.26	-29.74
8.0%	-21.51	-33.38
10.0%	-24.39	-34.85
12.0%	-26.51	-35.77
15.0%	-28.63	-36.42
IRR	0.7%	0.0%

Notes:
- devt with 9-spot only
- Brent marker crude
-

Sensitivities:

Versions:

Production:	Fuyu No. 1 Block 1C_rev6
Price Deck:	kk1186 SPE Forecast 1Q2009
Fiscal:	China Onshore Fuyu
Other Fiscal:	China Fuyu 1 Block, Songliao B

Fiscal Assumptions	Royalty		Corp. Tax
	Oil	*Gas*	
Tax Rate/State Share:	Step Scale	0.00%	25.00%
Max Cost Recovery:	65.00%	0.00%	
Depreciation:			5.0 yr DBn

Period Beginning	Oil		Cond		LPG		Field Revenue	VAT & Royalty	Net Revenue	Contractor Revenue	Expl&Appr Costs	Capital Costs	Aband Costs	Operating Costs	Pre Tax NCF	Federal Tax +Other Taxes	State Tax	Post Tax NCF
	Production MMT	Price US$/Bbl	Production MMT	Price US$/Bbl	Production MMT	Price US$/Bbl	US$ MM	US$ MM	US$ MM	US$ MM	US$ MM	US$ MM	US$ MM	US$ MM	US$ MM	US$ MM	US$ MM	US$ MM
Jan-09	0.009	38.75					2.33	0.12	2.21	0.66	2.49	2.65		1.07	-5.54			-5.54
Jan-10	0.046	48.50					14.61	0.73	13.88	4.28		14.76		2.95	-13.44	0.08		-13.52
Jan-11	0.091	53.53					32.34	1.62	30.72	15.54		22.13		5.44	-12.03	0.47		-12.50
Jan-12	0.124	56.57					46.40	2.32	44.08	22.47		22.57		7.51	-7.61	0.84		-8.44
Jan-13	0.146	58.97					56.92	2.85	54.08	27.73		23.02		8.97	-4.26	1.18		-5.45
Jan-14	0.160	60.49					63.97	3.20	60.77	31.28		24.59		10.00	-3.30	1.44		-4.75
Jan-15	0.169	62.03					69.27	3.46	65.80	34.01		25.08		10.91	-1.97	1.70		-3.67
Jan-16	0.220	63.61					92.55	4.63	87.93	45.62		43.66		13.96	-12.00	2.44		-14.44
Jan-17	0.269	65.22					116.24	5.81	110.43	57.52		50.18		17.56	-10.22	3.28		-13.50
Jan-18	0.231	66.86					101.96	5.10	96.86	50.65		18.84		17.32	14.49	3.06		11.43
Jan-19	0.158	68.53					71.43	3.57	67.86	35.61				12.15	23.46	2.27		21.19
Jan-20	0.103	70.24					47.79	2.39	45.40	23.91				8.25	15.66	1.60		14.06
Jan-21	0.066	71.98					31.26	1.56	29.69	15.69				5.71	9.98	1.10		8.88
Jan-22	0.042	73.75					20.50	1.02	19.47	10.33				4.08	6.25	0.75		5.49
Jan-23	0.027	75.56					13.44	0.67	12.77	6.79				3.02	3.78	0.52		3.26
Jan-24																		
Jan-25																		
Jan-26																		
Jan-27																		
Jan-28																		
Jan-29																		
Jan-30																		
Jan-31																		
Jan-32																		
Totals (>01-Jan-09):	**1.859**		**0.00**		**0.00**		**781.00**	**39.05**	**741.95**	**382.11**	**2.49**	**247.47**	**0.00**	**128.89**	**3.25**	**20.73**	**0.00**	**-17.48**

Discounted Stream Totals to: 01-Jan-09										
10.0%	384.80	19.24	365.56	186.36	2.37	143.27	63.36	-22.64	9.51	-32.15
12.0%	339.72	16.99	322.74	164.16	2.35	130.05	55.98	-24.22	8.27	-32.50
15.0%	284.47	14.22	270.25	136.97	2.32	113.26	46.95	-25.56	6.78	-32.34
US$ per BOE:										
0.0%	63.49	3.17	60.32	31.06	0.20	20.12	10.48	0.26	1.69	-1.42
10.0%	31.28	1.56	29.72	15.15	0.19	11.65	5.15	-1.84	0.77	-2.61
12.0%	27.62	1.38	26.24	13.35	0.19	10.57	4.55	-1.97	0.67	-2.64
15.0%	23.13	1.16	21.97	11.14	0.19	9.21	3.82	-2.08	0.55	-2.63

Capex per BOE per day (peak year):	50,678.08 US$/BOE/day	ross Revenue:	31.69 %
Opex per BOE per day (peak year):	26,395.23 US$/BOE	Gros Revenue:	48.51 %
Opex (peak year)/Total Capex:	7.10 %	**Contractor Net Entit**	5.99 MMbbl
Peak Prod year as % Total Resources:	14.14 %	**Reserves:**	0.00 BCF
		Net Entitlement:	**0.906 MMT**

Field:	Fuyu Blk 1
Case:	2C Case

	Initial	Final
Working Interest:	49.00%	49.00%
Revenue Interest:	100.00%	100.00%

Notes:
- devt with 9-spot only
- Brent marker crude
-

Sensitivities:

Versions:
Production: Fuyu No. 1 Block 2C_rev6
Price Deck: kk1186 SPE Forecast 1Q2009
Fiscal: China Onshore Fuyu
Other Fiscal: China Fuyu 1 Block, Songliao B

China Onshore Fuyu
Net Working Interest Cashflow Analysis
Escalated Prices & Costs

Fiscal Assumptions	Royalty		Corp. Tax
	Oil	Gas	
Tax Rate/State Share:	Step Scale	0.00%	25.00%
Max Cost Recovery:	65.00%	0.00%	
Depreciation:			5.0 yr DBn

Run Date 28-Jan-09
Run Time 4:45 PM

Nominal Net Present Values as at 01-Jan-09 (US$ MM)		
Disc Rate	Pre-Tax	Post-Tax
0.0%	1,123.23	956.16
5.0%	635.89	539.41
8.0%	463.17	391.72
10.0%	378.39	319.24
12.0%	311.22	261.82
15.0%	234.82	196.55
IRR	67.8%	60.9%

Period Beginning	Oil		Cond		LPG		Field Revenue	VAT & Royalty	Net Revenue	Contractor Revenue	Expl&Appr Costs	Capital Costs	Aband Costs	Operating Costs	Pre Tax NCF	Federal Tax +Other Taxes	State Tax	Post Tax NCF
	Production MMT	Price US$/Bbl	Production MMT	Price US$/Bbl	Production MMT	Price US$/Bbl	US$ MM	US$ MM	US$ MM	US$ MM	US$ MM	US$ MM	US$ MM	US$ MM	US$ MM	US$ MM	US$ MM	US$ MM
Jan-09	0.022	38.75					5.56	0.28	5.28	1.58	2.49	2.65		1.45	-5.01			-5.01
Jan-10	0.109	48.50					34.85	1.74	33.11	10.21		14.76		4.89	-9.44	0.19		-9.64
Jan-11	0.218	53.53					77.17	3.86	73.31	37.09		35.13		9.65	-7.69	1.12		-8.81
Jan-12	0.289	56.57					108.05	5.40	102.65	52.33		35.83		13.27	3.22	1.95		1.27
Jan-13	0.313	58.97					122.10	6.10	115.99	59.48		23.02		14.99	21.47	2.54		18.93
Jan-14	0.374	60.49					149.84	7.49	142.35	73.27		23.48		17.41	32.38	3.38		29.00
Jan-15	0.441	62.03					180.91	9.05	171.86	88.82		38.03		20.19	30.60	4.43		26.17
Jan-16	0.602	63.61					253.10	17.72	235.39	122.14		58.02		26.81	37.31	6.53		30.78
Jan-17	0.752	65.22					324.27	22.70	301.57	157.09		50.18		40.44	66.46	8.95		57.51
Jan-18	0.909	66.86					402.11	28.15	373.96	195.53		74.87		51.02	69.64	11.81		57.83
Jan-19	1.022	68.53					463.12	32.42	430.70	226.03		75.96		59.74	90.33	14.40		75.93
Jan-20	1.169	70.24					542.99	38.01	504.98	265.97		70.88		70.16	124.93	17.80		107.13
Jan-21	0.924	71.98					440.15	30.81	409.34	216.35		34.65		65.35	116.35	15.16		101.19
Jan-22	0.743	73.75					362.63	25.38	337.25	178.86				58.95	119.90	13.07	1.90	104.93
Jan-23	0.616	75.56					307.89	21.55	286.34	152.36				53.28	99.08	11.58	1.86	85.64
Jan-24	0.597	77.41					305.71	21.40	284.31	151.77				50.53	101.24	11.97	2.97	86.30
Jan-25	0.488	79.29					256.23	12.81	243.42	130.36				45.62	84.74	10.65	1.90	72.19
Jan-26	0.383	81.22					205.93	10.30	195.63	105.09				40.68	64.41	8.87	0.49	55.06
Jan-27	0.301	83.18					165.72	8.29	157.43	84.83				36.67	48.16	7.38		40.78
Jan-28	0.237	85.18					133.49	6.67	126.82	68.53				33.39	35.14	6.14		29.00
Jan-29																		
Jan-30																		
Jan-31																		
Jan-32																		
Totals (>01-Jan-09):	**10.509**		**0.00**		**0.00**		**4,841.81**	**310.13**	**4,531.68**	**2,377.70**	**2.49**	**537.48**	**0.00**	**714.51**	**1,123.23**	**157.94**	**9.12**	**956.16**

Discounted Stream Totals to: 01-Jan-09										
10.0%	1743.87	110.46	1633.41	847.79	2.37	261.16	240.50	343.76	51.65	2.16	289.95
12.0%	1463.50	92.27	1371.22	709.93	2.35	230.38	199.65	277.55	42.49	1.64	233.42
15.0%	1143.25	71.50	1071.75	552.70	2.32	192.92	153.71	203.75	32.20	1.11	170.44
US$ per BOE:											
0.0%	69.65	4.46	65.19	34.20	0.04	7.73	10.28	16.16	2.27	0.13	13.75
10.0%	25.09	1.59	23.50	12.20	0.03	3.76	3.46	4.95	0.74	0.03	4.17
12.0%	21.05	1.33	19.73	10.21	0.03	3.31	2.87	3.99	0.61	0.02	3.36
15.0%	16.45	1.03	15.42	7.95	0.03	2.78	2.21	2.93	0.46	0.02	2.45

Capex per BOE per day (peak year): 25,376.10 US$/BOE/day
Opex per BOE per day (peak year): 33,734.33 US$/BOE
Gross Revenue: 11.10 %
Gross Revenue: 25.91 %
Opex (peak year)/Total Capex: 13.05 %
Peak Prod year as % Total Resources: 10.67 %
Contractor Net Entitl 34.03 MMbbl
Reserves: 0.00 BCF
Net Entitlement: **5.144 MMT**

Field:	**Fuyu Blk 1**
Case:	3C Case

	Initial	*Final*
Working Interest:	49.00%	49.00%
Revenue Interest:	100.00%	100.00%

Notes:
- devt with 9-spot only
- Brent marker crude
-

Sensitivities:

Versions:

Production:	Fuyu No. 1 Block 3C_rev6
Price Deck:	kk1186 SPE Forecast 1Q2009
Fiscal:	China Onshore Fuyu
Other Fiscal:	China Fuyu 1 Block, Songliao B

China Onshore Fuyu
Net Working Interest Cashflow Analysis
Escalated Prices & Costs

Fiscal Assumptions	Royalty		Corp. Tax
	Oil	*Gas*	
Tax Rate/State Share:	Step Scale	0.00%	25.00%
Max Cost Recovery:	65.00%	0.00%	
Depreciation:			5.0 yr DBn

Run Date 28-Jan-09
Run Time 4:38 PM

Nominal Net Present Values as at 01-Jan-09 (US$ MM)		
Disc Rate	**Pre-Tax**	**Post-Tax**
0.0%	4,275.11	3,581.28
5.0%	2,187.14	1,833.15
8.0%	1,515.95	1,271.03
10.0%	1,203.95	1,009.65
12.0%	966.38	810.58
15.0%	708.26	594.20
IRR	**100+**	**100+**

Period Beginning	Oil		Cond		LPG		Field Revenue	VAT & Royalty	Net Revenue	Contractor Revenue	Expl&Appr Costs	Capital Costs	Aband Costs	Operating Costs	Pre Tax NCF	Federal Tax +Other Taxes	State Tax	Post Tax NCF
	Production MMT	Price US$/Bbl	Production MMT	Price US$/Bbl	Production MMT	Price US$/Bbl	US$ MM	US$ MM	US$ MM	US$ MM	US$ MM	US$ MM	US$ MM	US$ MM	US$ MM	US$ MM	US$ MM	US$ MM
Jan-09	0.033	38.75					8.39	0.42	7.97	2.39	2.49	2.65		1.80	-4.54			-4.54
Jan-10	0.164	48.50					52.56	2.63	49.93	15.40		14.76		6.40	-5.77	0.29		-6.06
Jan-11	0.329	53.53					116.36	5.82	110.54	55.93		35.13		12.61	8.18	1.69		6.49
Jan-12	0.435	56.57					162.93	8.15	154.79	78.90		35.83		17.42	25.65	2.94		22.72
Jan-13	0.472	58.97					184.11	9.21	174.91	89.69		36.55		19.76	33.38	3.83	0.22	29.33
Jan-14	0.568	60.49					227.22	15.91	211.31	108.76		37.28		23.20	48.28	5.02	2.26	41.00
Jan-15	0.678	62.03					278.07	19.47	258.61	133.65		38.03		27.16	68.47	6.66	3.33	58.48
Jan-16	0.928	63.61					390.57	27.34	363.23	188.48		58.02		36.77	93.69	10.08	4.34	79.27
Jan-17	1.161	65.22					500.92	35.06	465.86	242.67		64.83		54.27	123.57	13.83	4.83	104.90
Jan-18	1.404	66.86					620.86	43.46	577.40	301.91		74.87		68.12	158.92	18.24	6.30	134.39
Jan-19	1.579	68.53					715.92	50.11	665.81	349.42		75.96		79.55	193.91	22.27	8.12	163.53
Jan-20	1.811	70.24					841.39	58.90	782.49	412.13		86.43		93.52	232.19	27.59	9.70	194.90
Jan-21	2.015	71.98					959.39	86.34	873.04	461.44		88.65		106.40	266.38	32.33	11.06	223.00
Jan-22	2.229	73.75					1,087.37	97.86	989.51	524.78		99.14		122.21	303.44	38.36	12.08	253.00
Jan-23	2.389	75.56					1,193.97	107.46	1,086.51	578.14		101.12		136.42	340.60	43.96	13.42	283.23
Jan-24	2.557	77.41					1,309.50	117.85	1,191.64	636.14		103.14		149.68	383.32	50.19	15.41	317.73
Jan-25	2.675	79.29					1,403.12	126.28	1,276.84	683.78		88.49		163.18	432.11	55.85	16.67	359.59
Jan-26	2.127	81.22					1,142.94	102.86	1,040.08	558.71				147.63	411.08	47.15	18.62	345.32
Jan-27	1.737	83.18					955.76	66.90	888.86	478.92				136.35	342.56	41.67	13.30	287.59
Jan-28	1.426	85.18					803.25	56.23	747.03	403.68				126.33	277.35	36.16	8.18	233.01
Jan-29	1.200	87.22					692.60	48.48	644.12	349.07				117.22	231.84	32.14	5.42	194.29
Jan-30	0.944	89.30					557.38	39.02	518.36	281.70				104.19	177.51	26.62	1.81	149.09
Jan-31	0.739	91.42					446.80	31.28	415.52	226.43				93.45	132.97	21.93		111.05
Jan-32																		
Totals (>01-Jan-09):	**29.599**		**0.00**		**0.00**		**14,651.39**	**1,157.04**	**13,494.35**	**7,162.12**	**2.49**	**1,040.88**	**0.00**	**1,843.64**	**4,275.11**	**538.78**	**155.05**	**3,581.28**
Discounted Stream Totals to: 01-Jan-09																		
10.0%							4083.99	312.19	3771.80	1979.47	2.37	400.93		481.33	1094.85	135.33	41.42	918.09
12.0%							3286.72	248.84	3037.88	1590.00	2.35	341.27		383.32	863.05	106.43	32.79	723.83
15.0%							2425.13	180.71	2244.41	1169.63	2.32	272.51		278.92	615.88	75.78	23.49	516.61
US$ per BOE:																		
0.0%							74.83	5.91	68.92	36.58	0.01	5.32		9.42	21.83	2.75	0.79	18.29
10.0%							20.86	1.59	19.26	10.11	0.01	2.05		2.46	5.59	0.69	0.21	4.69
12.0%							16.79	1.27	15.52	8.12	0.01	1.74		1.96	4.41	0.54	0.17	3.70
15.0%							12.39	0.92	11.46	5.97	0.01	1.39		1.42	3.15	0.39	0.12	2.64

Capex per BOE per day (peak year): 21,470.62 US$/BOE/day
Opex per BOE per day (peak year): 38,029.42 US$/BOE
Gross Revenue: 7.10 %
Gross Revenue: 19.70 %
Opex (peak year)/Total Capex: 15.68 %
Peak Prod year as % Total Resources: 9.04 %

Contractor Net Entit	95.49 MMbbl
Reserves:	0.00 BCF
Net Entitlement:	**14.435 MMT**

TRI-M TECHNOLOGIES (S) LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number 198701138Z)

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of **Tri-M Technologies (S) Limited** (the **"Company"**) will be held at Raffles City Convention Centre, 2 Stamford Road, Minto Room, Level 4, Singapore 178882 on Thursday, 30 July 2009, at 10.00 a.m. for the purpose of considering and, if thought fit, passing with or without modifications, the resolutions as set out below:

ORDINARY RESOLUTIONS

Resolution 1: Proposed Acquisition of the entire issued share capital of Kingworld Resources Limited ("Proposed Acquisition") and the issue and allotment of the Consideration Shares by the Company

That subject to and conditional upon Resolution 3 being passed:

(a) pursuant to Chapter 10 of the Listing Manual of the Singapore Exchange Securities Trading Limited, approval be and is hereby given for the Proposed Acquisition, being a major transaction;

(b) pursuant to Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited, approval be and is hereby given for the Proposed Acquisition being an Interested Person Transaction;

(c) the Directors of the Company be and are hereby authorised to allot and issue up to 112.5 million Consideration Shares to the Vendors at a price per Consideration Share of S$0.80 in satisfaction of part Purchase Consideration payable by the Company to the Vendors in respect of the Proposed Acquisition, and the Directors of the Company be and are hereby authorised to do any and all such acts as they may, in their absolute discretion deem fit, expedient or necessary to give effect to the issue of the Consideration Shares, and take such steps, enter into all such transactions, arrangements and agreements and execute all such documents as may be required or as they may consider necessary or expedient for the purpose of giving effect to the Proposed Acquisition.

Resolution 2: Proposed Diversification of Business

That subject to and conditional upon Resolutions 1 and 3 being passed, approval be and is hereby granted for the Company to diversify its business activities from that of engaging in the assembly of printed circuit boards and related accessories to that of developing petroleum resources and producing petroleum for sale.

Resolution 3: Proposed Debt Conversion of the loans amounting to an aggregate S$12.0 million owing to Surreyville Pte Ltd ("SPL") by the Company and the issue and allotment of 15.0 million Debt Conversion Shares in the capital of the Company at the issue price of S$0.80 per share

That subject to and conditional upon Resolution 1 being passed:

(a) approval be and is hereby given for the Proposed Debt Conversion and for the Company to issue and allot the 15.0 million Debt Conversion Shares to SPL pursuant to and subject to the terms and conditions of the Debt Conversion Deed; and

(b) the Directors of the Company be and are hereby authorized to generally exercise all discretion and do, approve and authorize all such acts and things as may be necessary or expedient in connection with, or to give effect to the Debt Conversion Deed, all transactions contemplated therein and all other matters referred in or contemplated by this resolution.

By Order of the Board
Tri-M Technologies (S) Limited

Yeo Poh Noi Caroline
Company Secretary
Singapore, 15 July 2009

Notes:

(1) A shareholder of the Company entitled to attend and vote at the Extraordinary General Meeting of the Company ("EGM") may appoint not more than two proxies to attend and vote in his/her stead. A shareholder of the Company which is a corporation is entitled to appoint its authorised representative or proxy to vote on its behalf. A proxy need not be a shareholder of the Company.

(2) If a proxy is to be appointed, the instrument appointing a proxy must be duly deposited at the registered office of the Company at 25 Kallang Avenue #07-01 Singapore 339416 not later than 48 hours before the time appointed for the holding of the EGM.

(3) The instrument appointing a proxy must be signed by the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy is executed by a corporation, it must be executed either under its common seal or under the hand of any officer or attorney duly authorised.

(4) A Depositor's name must appear on the Depository Register maintained by The Central Depository (Pte) Limited as at 48 hours before the time fixed for holding the EGM in order for the Depositor to be entitled to attend and vote at the EGM.

PROXY FORM

TRI-M TECHNOLOGIES (S) LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number: 198701138Z)

Important:

1. For investors who have used their CPF monies to buy shares in the capital of Tri-M Technologies (S) Limited, this Circular is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We* _____ (Name) NRIC/Passport number* _____ of

_____ (Address)

being a shareholder/shareholders* of Tri-M Technologies (S) Limited (the "**Company**") hereby appoint:

Name	**NRIC/Passport Number**	**Proportion of Shareholdings**	
		Number of Shares	**%**
Address			

and/or*

Name	**NRIC/Passport Number**	**Proportion of Shareholdings**	
		Number of Shares	**%**
Address			

or failing him/her, the Chairman of the Extraordinary General Meeting (the **"EGM"**) of the Company as my/our* proxy/proxies* to attend and to vote for me/us* on my/our* behalf and, if necessary, to demand a poll at the EGM of the Company to be held at Raffles City Convention Centre, 2 Stamford Road, Minto Room, Level 4, Singapore 178882 on Thursday, 30 July 2009, at 10.00 a.m., and at any adjournment thereof.

(Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be cast for or against the resolution as set out in the Notice of EGM. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matter arising at the EGM)

No.	**Ordinary Resolution**	**To be used on a show of hands**		**To be used in the event of a poll**	
		For	Against	Number of Votes For**	Number of Votes Against**
1	To approve the Proposed Acquisition and the issue and allotment of the Consideration Shares				
2	To approve the Proposed Diversification of Business				
3	To approve the Proposed Debt Conversion and the issue and allotment of the 15.0 million Debt Conversion Shares by the Company				

* Delete accordingly
** If you wish to exercise all your votes "For" or "Against", please indicate an "X" within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this _____ day of _____ 2009

Total Number of Shares Held

_____
Signature(s) of Shareholder(s) or Common Seal

IMPORTANT: PLEASE READ NOTES OVERLEAF

PROXY FORM

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members of the Company, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and registered in your name in the Register of Members of the Company, you should insert the aggregate number of Shares. If no number is inserted, this form of proxy will be deemed to relate to all the Shares held by you.

2. A shareholder entitled to attend and vote at the EGM is entitled to appoint not more than two proxies to attend and vote on his behalf. A proxy need not be a shareholder of the Company.

3. The instrument appointing a proxy or proxies, duly executed, must be deposited at the registered office of the Company at 25 Kallang Avenue #07-01 Singapore 339416 not less than 48 hours before the time appointed for the EGM.

4. Where a shareholder appoints more than one proxy, he shall specify the proportion of his shareholding to be represented by each proxy and, if no percentage is specified, the first named proxy shall be deemed to represent 100 per cent. of the shareholding and the second named proxy shall be deemed to be an alternate to the first named.

5. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or a duly authorised officer.

6. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

7. A corporation which is a shareholder may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the EGM, in accordance with Section 179 of the Companies Act, Chapter 50.

8. The submission of an instrument or form appointing a proxy by a shareholder does not preclude him from attending and voting in person at the EGM if he so wishes.

9. The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument of proxy. In addition, in the case of Shares entered in the Depository Register, the Company may reject an instrument of proxy if the shareholder, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the meeting, as certified by The Central Depository (Pte) Limited to the Company.