THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Neptune Group Limited, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular appears for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities.

NEPTUNE GROUP LIMITED
海 王 國 際 集 團 有 限 公 司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00070)

VERY SUBSTANTIAL ACQUISITION
AND
MAJOR TRANSACTION

A notice convening the extraordinary general meeting of Neptune Group Limited to be held at The Royal Pacific Hotel and Towers, Pacific Room I, 9th Floor, Towers Wing, 33 Canton Road, China Hong Kong City, Tsimshatsui, Kowloon, Hong Kong on 20th October, 2008 at 10:00 a.m. is set out on pages 209 to 211 of this circular.

Whether or not you intend to attend the extraordinary general meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and deposit the same at the office of the Company's Hong Kong share registrar and transfer in Hong Kong, Computershare Hong Kong Investor Services Limited of Room 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the extraordinary general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the extraordinary general meeting or any adjournment thereof should you so wish.

26 September, 2008

CONTENTS

In this circular, the following expressions have the meanings respectively set opposite them unless the context otherwise requires:

"Acquisition"	the proposed acquisition of the Sale Shares on the terms and conditions in the Share Acquisition Agreement
"Announcement"	the announcement dated 7th July, 2008 made by the Company in relation to the Acquisition
"associates"	has the same meaning ascribed to it under the Listing Rules
"Best Max"	Best Max Enterprises Limited, a company incorporated in the British Virgin Islands
"Board"	board of the Directors
"Business Day"	a day (other than a Saturday and a Sunday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
"Codes"	The Codes on Takeovers and Mergers
"Company"	Neptune Group Limited, a company incorporated in Hong Kong with limited liability and the issued Shares of which are listed on the Stock Exchange
"Completion"	completion of the sale and purchase of the Sale Shares in accordance with the terms and conditions of the Share Acquisition Agreement
"Connected Person(s)"	has the meaning ascribed to it under the Listing Rules
"Consideration Shares"	6,211,111,111 Shares to be allotted and issued to Mr. Choi at the Issue Price and credited as fully paid subject to and in accordance with the terms and conditions of the Share Acquisition Agreement
"Director(s)"	director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve the Acquisition and the transactions contemplated thereunder

"Enlarged Group"	the Group as enlarged by the Acquisition
"Fifth Profit Guarantee"	the guarantee provided by Mr. Choi under the Star Profit Agreement that the Profits for the Fifth Relevant Period will not be less than HK$587,000,000
"Fifth Relevant Period"	the period from 1st July, 2010 to 31st December, 2010 in respect of the Fifth Profit Guarantee under the Star Profit Agreement
"First Profit Guarantee"	the guarantee provided by Mr. Choi under the Star Profit Agreement that the Profits for the First Relevant Period will not be less than HK$513,000,000
"First Relevant Period"	the period from 1st July, 2008 to 31st December, 2008 in respect of the First Profit Guarantee under the Star Profit Agreement
"First Transfer Agreement"	the agreement dated 21 June, 2008 made between Lucky Star, Peak Wing and Mr. Choi relating to (i) Peak Wing's provision for an indefinite term of all the operating capital of Lucky Star to develop the junket business under the Gaming Promoter Agreement and (ii) Lucky Star's transfer of certain of the Profits to Peak Wing
"Fourth Profit Guarantee"	the guarantee provided by Mr. Choi under the Star Profit Agreement that the Profits for the Fourth Relevant Period will not be less than HK$543,000,000
"Fourth Relevant Period"	the period from 1st January, 2010 to 30th June, 2010 in respect of the Fourth Profit Guarantee under the Star Profit Agreement
"Gaming Operator"	a licensed gaming operator in Macau which is an Independent Third Party
"Group"	the Company and its subsidiaries
"Hao Cai Junket Representative Agreement"	the junket representative agreement entered into between Venetian Macau, S.A., an Independent Third Party and Hao Cai Sociedade Unipessoal Limitada and expiring on 31st December, 2007

"Hao Cai Profit"	0.4% of the Rolling Turnover (up to HK$20 billion per month in the event that the Loan is made and prorated for Rolling Turnover in excess of HK$45 billion per month) generated by Hao Cai Sociedade Unipessoal Limitada and/or its customers at Venetian Macau, S.A. gaming rooms pursuant to the Hao Cai Junket Representative Agreement and such other VIP gaming rooms whereby Hao Cai Sociedade Unipessoal Limitada is a duly appointed junket representative or such other VIP gaming rooms whereby Hao Cai can procure the sale/assignment of a percentage of Rolling Turnover generated by the duly appointed junket representatives. If Hao Cai Sociedade Unipessoal Limitada were to act as junket representative for the VIP gaming rooms, additional licences and/or junket representative agreements may be required to be executed
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Third Party(ies)"	any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, are third parties independent of and not connected with any director, chief executive, substantial shareholders or bondholder of the Company and its subsidiaries or any of their respective associate
"Issue Price"	HK$0.45 per Consideration Share
"Latest Practicable Date"	24th September, 2008, being the latest practicable date prior to the printing of this circular for inclusion of certain information in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Loan"	the loan facility in the amount of up to HK$6,000,000,000 to be granted by the Company to Peak Wing under the Loan Agreement
"Loan Agreement"	the loan agreement dated 22nd June, 2008 entered into between the Company and Peak Wing relating to the Loan

"Lucky Star"	Lucky Star Entretenimento Sociedade Unipessoal Limitada, a company incorporated in Macau, which is wholly-owned by Mr. Choi and is principally engaged in the junket representative/gaming promoter business, an Independent Third Party
"Macau"	Macau Special Administrative Region of the PRC
"MOP"	Patacas, the lawful currency of Macau
"Mr. Choi"	Mr. Choi Tai Wai, an Independent Third Party and a Macau citizen
"Non-negotiable Chips"	also known as rolling chips or dead chips. These chips cannot be converted into negotiable chips nor can they be redeemed for other goods and services. These chips can only be bet in destined area of the casino. If the customer loses, these chips go to the casino. If the customer wins, he or he is paid the winnings and the amount bet in negotiable chips. The design of these chips are different from the negotiable chips and hence, the dealers and the cashiers of the casino can readily recognize them from negotiable chips
"Options"	Share options granted by the Company pursuant to the Company's share option scheme adopted on 18th December, 2007
"Peak Wing"	Peak Wing Enterprises Limited, a company incorporated in the British Virgin Islands and is wholly owned by Mr. Choi, an Independent Third Party
"PRC"	the People's Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, Macau and Taiwan
"Profit Forest"	Profit Forest Limited, a company incorporated in the British Virgin Islands
"Profit Guarantees"	the First Profit Guarantee, the Second Profit Guarantee, the Third Profit Guarantee, the Fourth Profit Guarantee, the Fifth Profit Guarantee and the Sixth Profit Guarantee

"Profits"	the profits that will be generated by Lucky Star from the junket business under the Gaming Promoter Agreement which represent the Rolling Turnover payable by the Gaming Operator to Lucky Star under the Gaming Promoter Agreement after deducting (a) the total commissions and bonuses payable by Lucky Star to its collaborators and (b) all the operational and administrative expenses incurred and tax payable to the Macau Government
"Rich Pearl"	Rich Pearl Enterprises Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company, the purchaser under the Share Acquisition Agreement
"Rolling Turnover"	the value of Non-negotiable Chips acquired by Lucky Star on behalf of their customers less the value of Non-negotiable Chips redeemed by Lucky Star on behalf of its customers
"Sale Shares"	100 ordinary shares, being 100% of the total issued share capital of Best Max
"Second Profit Guarantee"	the guarantee provided by Mr. Choi under the Star Profit Agreement that the Star Profit for the Second Relevant Period will not be less than HK$513,000,000
"Second Relevant Period"	the period from 1st January, 2009 to 30th June, 2009 in respect of the Second Profit Guarantee under the Star Profit Agreement
"Share(s)"	ordinary share(s) of HK$0.20 each in the share capital of the Company
"Share Acquisition Agreement"	the conditional sale and purchase agreement dated 22nd June, 2008 entered into among Rich Pearl as a purchaser, Mr. Choi as vendor relating to the sale and purchase of the Sale Shares
"Shareholder(s)"	holder(s) of the Share(s)
"Sixth Profit Guarantee"	the guarantee provided by Mr. Choi under the Star Profit Agreement that the Profits for the Sixth Relevant Period will not be less than HK$587,000,000

"Sixth Relevant Period"	the period from 1st January, 2011 to 30th June, 2011 in respect of the Sixth Profit Guarantee under the Star Profit Agreement
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Star Junket Representative Agreement"	the junket representative agreement entered into between Galaxy Casino S. A., an Independent Third Party and Lucky Star
"Star Profit"	0.45% of the Rolling Turnover generated by Lucky Star and/or its customers at Level 3 at the StarWorld Hotel in Macau pursuant to the Star Junket Representative Agreement
"Star Profit Agreement"	the agreement dated 22nd June, 2008 entered into among Best Max as a purchaser, Mr. Choi as a vendor and Best Max relating to the sale and purchase of a 100% interest in the Star Profit
"StarWorld Hotel"	a 5-star hotel and casino in Macau spanning 140,000 sq. ft. offering a wide selection of games
"Third Profit Guarantee"	the guarantee provided by Mr. Choi under the Star Profit Agreement that the Star Profit for the Third Relevant Period will not be less than HK$543,000,000
"Third Relevant Period"	the period from 1st July, 2009 to 31st December, 2009 in respect of the Third Profit Guarantee under the Star Profit Agreement
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"US$"	United States of America dollars
"%"	per cent.

NEPTUNE GROUP LIMITED
海王國際集團有限公司

(Incorporated in Hong Kong with limited liability)
(Stock Code: 00070)

Executive Directors:
Mr. Lin Cheuk Fung
Mr. Nicholas J. Niglio
Mr. Chan Shiu Kwong, Stephen
Mr. Lau Kwok Hung
Mr. Wan Yau Shing, Ban
Mr. Lau Kwok Keung

Independent non-executive Directors:
Mr. Cheung Yat Hung, Alton
Mr. Yue Fu Wing
Mr. Wong Tat Tung

Registered Office:
Units 1205-6, 12/F.,
Office Tower Two
The Harbourfront
18-22 Tak Fung Street
Hunghom, Kowloon
Hong Kong

26 September, 2008

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION AND MAJOR TRANSACTION

INTRODUCTION

On 7th July, 2008, the Board announced that on 22nd June, 2008 and 27th June, 2008, Rich Pearl, a wholly-owned subsidiary of the Company, entered into the Share Acquisition Agreement and a deed of variation respectively to acquire from Mr. Choi, 100% of the total issued share capital of Best Max for a total consideration of HK$4,320,000,000.

Under the Share Acquisition Agreement, the consideration for the Acquisition shall be satisfied by Rich Pearl (1) paying a refundable deposit in a sum of HK$50,000,000 on the date of the Share Acquisition Agreement and paying HK$275,000,000 in cash upon Completion; (2) procuring the Company to issue the Promissory Note in a principal amount of HK$1,200,000,000 to Mr. Choi upon Completion; and (3) subject to a cap of 19.99% of the issued share capital of the Company from time to time, procuring the Company to allot and issue the relevant number of Consideration Shares at an issue price of HK0.45 per Consideration Share, credited as fully paid, for the rest of the consideration in a sum of HK$2,795,000,000 upon Completion and thereafter.

Best Max is an investment holding company and is wholly owned by Mr. Choi. The main asset of Best Max will be the Star Profit, the profit stream acquired by it under the Star Profit Agreement and (where applicable) the First Transfer Agreement.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Mr. Choi is an Independent Third Party.

On 22nd June, 2008, the Company entered into the Loan Agreement with Peak Wing whereby, subject to successful completion of a fund raising exercise by the Company on or before 31st March, 2009, the Company shall provide a term loan facility to Peak Wing of an amount of up to HK$6,000,000,000. The facility once drawn shall be on-lent by Peak Wing to Lucky Star to operate its gaming promotion business at the StarWorld Casino at StarWorld Hotel & Casino in Macau.

The Loan will carry interest at the prime lending rate as quoted by the Hongkong and Shanghai Banking Corporation Limited in Hong Kong from time to time plus 2% per annum.

Pursuant to the Loan Agreement, within twelve months from the date thereof or such later date as the parties may agree in writing, the Company shall have the right, at its absolute discretion, by giving not less than three days' notice in writing to Peak Wing, to capitalise HK$200,000,000 of the principal amount of the Loan for an allotment and issue of such number of new shares of Peak Wing as representing 99.99% of the enlarged issued share capital of Peak Wing on a fully diluted basis.

Peak Wing is a company that has entered into the First Transfer Agreement.

As the relevant percentage ratios as referred to in Chapter 14 of the Listing Rules for the Acquisition are more than 100%, the Acquisition constitutes a very substantial acquisition on the part of the Company under Chapter 14 of the Listing Rules. As the relevant percentage ratios as referred to in Chapter 14 of the Listing Rules for the Loan Agreement are more than 25%, the Loan constitutes a major transaction for the Company under Chapter 14 of the Listing Rules.

Accordingly, the Acquisition and the Loan are subject to, among other things, the approval by the Shareholders at the EGM. As no Shareholder has a material interest in the Acquisition and the Loan Agreement which is different from the other Shareholders, no Shareholder is required to abstain from voting at the EGM.

The purpose of this circular is to provide you with further information in respect of the Acquisition and the Loan Agreement together with a notice of the EGM at which resolution will be proposed to consider and if thought fit, approve, inter alia, the Acquisition, the Loan Agreement and transactions contemplated therein.

THE SHARE ACQUISITION AGREEMENT

Date: 22nd June, 2008

Parties:

Purchaser: Rich Pearl, a wholly-owned subsidiary of the Company

Vendor: Mr. Choi

Mr. Choi holds the entire issued share capital of Best Max which receives the Star Profit and it does not carry out any casino or gaming promotion activities in either Hong Kong or Macau. Therefore, the business activities of Best Max will not constitute unlawful activities under the laws of Hong Kong and Macau.

Mr. Choi is an Independent Third Party.

On 27th June, 2008, Rich Pearl and Mr. Choi entered into a deed of variation to cap the number of Consideration Shares which may be allotted and issued to the Vendor and parties acting in concert with it to not more than 19.99% of the entire share capital of the Company from time to time.

Assets to be acquired

Pursuant to the Share Acquisition Agreement, Rich Pearl has agreed to acquire and Mr. Choi has agreed to sell, as a legal and beneficial owner, the Sale Shares, being 100 shares of US$1.00 each in the share capital of Best Max, representing 100% of the total issued share capital of Best Max, free from any option, charge, lien, equity, encumbrance, rights of pre-emption or any other third party rights whatsoever and together with all rights attached to them at the date of Completion or subsequently becoming attached to them.

Consideration

The total consideration for the Sale Shares is HK$4,320,000,000 and shall be settled by Rich Pearl:

(a) paying a refundable deposit to Mr. Choi in a sum of HK$50,000,000 on the date of the Share Acquisition Agreement and paying HK$275,000,000 in cash from internal resources upon Completion:

(b) procuring the Company to issue the Promissory Note in a principal amount of HK$1,200,000,000 to Mr. Choi upon Completion; and

(c) subject to the capping of the number of Shares held by the Vendor and its concert parties to not more than 19.99% of the issued share capital of the Company from time to time, procuring the Company to allot and issue the relevant number of

Consideration Shares on Completion and thereafter at an issue price of HK$0.45 per Consideration Share, credited as fully paid, for the balance of the consideration in a sum of HK$2,795,000,000 to Mr. Choi (i.e. approximately HK$6.21 billion Shares).

If the conditions set out in the section headed "Conditions precedent" have not been satisfied on or before 31st March, 2009, or such later date as Mr. Choi and Rich Pearl may agree (the "Long Stop Date") or following the fulfillment of the conditions set out in the section headed "Conditions precedent", Mr. Choi or Rich Pearl shall fail to complete the sale and purchase of the Sale Shares in accordance with the terms and conditions in the Share Acquisition Agreement, Mr. Choi shall return to Rich Pearl, without interest, all the moneys already paid as deposit to Mr. Choi by Rich Pearl under the Share Acquisition Agreement within seven days from the Long Stop Date or from the date when the vendor or the purchaser to the Share Acquisition Agreement fails to complete the sale and purchase of the Sale Shares in accordance with the terms and conditions of the Share Acquisition Agreement.

The consideration is determined after arm's length negotiation between Rich Pearl and Mr. Choi after considering the First Profit Guarantee, the Second Profit Guarantee, the Third Profit Guarantee, the Fourth Profit Guarantee, the Fifth Profit Guarantee and the Sixth Profit Guarantee and the corresponding price earning multiple based on the average guaranteed Star Profit for the First Relevant Period, the Second Relevant Period, the Third Relevant Period, the Fourth Relevant Period, the Fifth Relevant Period and the Sixth Relevant Period, the price earning multiple of the acquisition of 100% equity interest in Best Max and the Star Profit that Rich Pearl is entitled through its 100% equity interest in Best Max, whose main asset will be the Star Profit, the continuous economic boom in Macau, the attractiveness of the casino that Star is operating as a gaming promoter and the prospects of Macau's gaming business. Based on the statistics in relation to "Gross revenue from different gaming activities" as published in the official website of Gaming Inspection and Coordination Bureau of the Government of Macau in 2007, the revenue (i.e. net win numbers) generated by the gaming activities is growing steadily at an average annual growth rate of approximately 43% for the period between 2002 and 2007, and the gaming revenue amounted to MOP83.85 billion for the year of 2007. In the first quarter of the year 2008, the reported gross gaming revenues of Macau have grown further by about 62% comparing with the previous corresponding period.

Pursuant to the Star Profit Agreement, Mr. Choi, who owns the entire issued share capital of Lucky Star, has irrevocably and unconditionally guaranteed to Best Max that the Star Profit for the First Relevant Period, the Second Relevant Period, the Third Relevant Period, the Fourth Relevant Period, the Fifth Relevant Period and the Sixth Relevant Period shall not be less than HK$513,000,000, HK$513,000,000, HK$543,000,000, HK$543,000,000, HK$587,000,000 and HK$587,000,000 respectively (ie. approximately Rolling Turnover per month of HK$19 billion during the First Relevant Period, HK$19 billion per month during the Second Relevant Period, HK$20.1 billion per month during the Third Relevant Period, HK$20.1 billion per month during the Fourth Relevant Period, HK$21.7 billion during the Fifth Relevant Period and HK$21.7 billion during the Sixth Relevant Period). In the event the Profit Guarantees are not achieved, Mr. Choi has undertaken to pay to Best Max the difference between the actual Star Profit received and/or receivable by Best Max for the First Relevant Period or, as the case may be, the Second Relevant Period or, as the case may be, the Third Relevant Period, the Fourth Relevant Period or, as the case may be, the Fifth Relevant Period or, as the case may be, the Sixth Relevant Period or, as the case may be and the guaranteed Star Profit for the same period within 60 days after the relevant periods. The Directors are of the view that the Profit Guarantees are still enforceable even if the Star Junket Representative Agreement cannot be renewed during the First Relevant Period, the Second Relevant Period, the Third Relevant Period, the Fourth Relevant Period, the Fifth Relevant Period or the Sixth Relevant Period as this is a contractual obligation under the relevant legally binding agreement. The Board is aware of the amount of capital deposit required to be made by Lucky Star in carrying on its junket/gaming promotion business at the StarWorld Casino at StarWorld Hotel & Casino in Macau with respect to the proposed not less than 100 gaming tables. As such, the Board believes that as Mr. Choi owns the entire issued quota of Lucky Star and Lucky Star being his operating vehicle, he should have sufficient credit worthiness for this guarantee. The Board considers this fair and reasonable as the acquisition of the profit stream from Lucky Star is for indefinite period of time. Accordingly, the Directors believe that they have complied with the requirements of Rule 3.08 of the Listing Rules regarding the credibility of Mr. Choi on the upfront cash repayment.

The First Profit Guarantee, Second Profit Guarantee, Third Profit Guarantee, Fourth Profit Guarantee, Fifth Profit Guarantee and Sixth Profit Guarantee of not less than HK$513,000,000, HK$513,000,000, HK$543,000,000, HK$543,000,000, HK$587,000,000 and HK$587,000,000 is determined with reference to the existing and expected business performance of Lucky Star and not less than 100 tables that Lucky Star operates or is expected to operate at the StarWorld Hotel.

Rich Pearl can indirectly share 100% of the Star Profit from the date of Completion. As Rich Pearl, which will own 100% equity interest in Best Max after the Acquisition, is entitled to share 100% of the Star Profit, the total consideration of HK$4,320,000,000 represents approximately 4.0 times the 100% of the average guaranteed Star Profit for the First Relevant Period, the Second Relevant Period, the Third Relevant Period, the Fourth Relevant Period, the Fifth Relevant Period and the Sixth Relevant Period. The Directors have made reference to the price earning multiple of approximately 4.0 times the 100% of the average guaranteed Star Profit when arriving at the consideration for the Acquisition. Given the price earning multiple is fair and reasonable, especially with reference to the price earning multiples of similar transactions announced by the Company and other listed issuers of the Stock Exchange (such as China Star Entertainment Limited and Dore Holdings Limited which were both on 5.5 times as disclosed in their respective announcements dated 30th August, 2007 and 18th September, 2006 regarding such transactions), the Directors are of the view that the consideration is fair and reasonable.

Other important terms

Undertaking

To protect the interests of the Company, Mr. Choi has undertaken that:

(1) 1,010,665,287 Consideration Shares and the Promissory Note in a principal sum of HK$1,200,000,000 will be held in escrow by the Company's legal advisers (or such other escrow agent as may be agreed between the parties and entitled to dividends and distributions) until the following Star Profit is fully paid by Mr. Choi to Best Max for each of the periods set out below:

	Star Profit guarantee *(in HK$)* ***(These will, where applicable, be booked as turnover of the Group following Completion)***	**Equivalent to Rolling Turnover per month** *(in HK$)*	**Amount of Promissory Note to be released** *(in HK$)*	**Number of Consideration Shares to be released**	**Total value of Promissory Note and Consideration Shares to be released** *(in HK$)*
First Relevant Period					
Period from 1st July, 2008 to 31st December, 2008	513,000,000	19,000,000,000	200,000,000	300,000,000	335,000,000
Second Relevant Period					
Period from 1st January, 2009 to 30th June, 2009	513,000,000	19,000,000,000	200,000,000	300,000,000	335,000,000
Third Relevant Period					
Period from 1st July, 2009 to 31st December, 2009	543,000,000	20,100,000,000	200,000,000	410,665,287	384,799,379.15
Fourth Relevant Period					
Period from 1st January, 2010 to 30th June, 2010	543,000,000	20,100,000,000	200,000,000	0	200,000,000
Fifth Relevant Period					
Period from 1st July, 2010 to 31st December, 2010	587,000,000	21,700,000,000	200,000,000	0	200,000,000
Sixth Relevant Period					
Period from 1st January, 2011 to 30th June, 2011	587,000,000	21,700,000,000	200,000,000	0	200,000,000

To the extent that the Star Profit for the relevant period is not met/attained by Mr. Choi, the relevant Promissory Note and relevant number of Consideration Shares shall continue to be held in escrow until the end of the First Relevant Period or the

Second Relevant Period or the Third Relevant Period or the Fourth Relevant Period or the Fifth Relevant Period or the Sixth Relevant Period (as the case may be) and until the First Profit Guarantee, the Second Profit Guarantee, the Third Profit Guarantee, the Fourth Profit Guarantee, the Fifth Profit Guarantee or the Sixth Profit Guarantee is met/attained (as the case may be);

(2) in the event that Mr. Choi fails to pay (i) any shortfall between the profits guaranteed and the profits actually received and/or receivable by Best Max during the First Relevant Period; and/or (ii) any shortfall between the profits guaranteed and the profits actually received and/or receivable by Best Max during the Second Relevant Period; and/or (iii) any shortfall between the profits guaranteed and the profits actually received and/or receivable by Best Max during the Third Relevant Period; and/or (iv) any shortfall between the profits guaranteed and the profits actually received and/or receivable by Best Max during the Fourth Relevant Period and/or (v) any shortfall between the profits guaranteed and the profits actually received and/or receivable by Best Max during the Fifth Relevant Period and/or (vi) any shortfall between the profits guaranteed and the profits actually received and/or receivable by Best Max during the Sixth Relevant Period, Rich Pearl can instruct the escrow agent to procure or arrange for the shortfall to be deducted from the outstanding sum under the Promissory Note and/or arrange for the sale or placing of the relevant escrowed Consideration Shares on the best price reasonably obtainable at the material time each on a dollar for dollar basis and with any balance to be returned to Mr. Choi. The deductions to be made (i.e. as to whether to first deduct from the Promissory Note and/or the Consideration Shares) will be at the absolute discretion of the Company. Having the discretion to choose whether to deduct from the Promissory Note first or the Consideration Shares first is beneficial for the Company as it may perhaps choose to deduct the Consideration Shares first if the Share price at the relevant time is lower than HK$0.45 per Share; and

(3) if the gaming promoter licence of Lucky Star is cancelled, revoked, terminated, or is not renewed, or amended in a material and adverse manner to Lucky Star by the relevant authorities in Macau at any time before the maturity date of the Promissory Note, Mr. Choi shall return the Promissory Note to the Company and the Company shall not be obliged to pay any outstanding sum under the Promissory Note.

In such scenario, the Directors are of the view that the Profit Guarantees are still enforceable as they are given pursuant to legally binding agreements.

Further announcement will be made by the Company if the Profit Guarantees for any of the relevant periods is not met or if any of the situations in respect of the gaming promoter licence mentioned in paragraph (3) above happens. If the above mechanism is insufficient to cover the shortfall in the relevant profit guarantees, there is the risk that the Company will have to resort to obtaining payment directly from or taking legal action against Mr. Choi. The Directors believe that the arrangement is fair given the security mechanism put in place, this recourse is reasonable for any breach of contract and furthermore, the Directors had weighed the benefit of the indefinite period of the Star Profit as compared to the risk of the unsecured exposure of the Profit Guarantee and the upfront cash paid to the Vendor. Ultimately it was a commercial decision to weigh the exposure/risk to the commercial benefit of the transaction.

In light of the First Transfer Agreement, this means that, on the assumption the Loan Agreement is completed, the profit stream attributable to the Company from the Acquisition and the Loan will be as follows:

Monthly Rolling Turnover	**Income derivation**	**Apportionment of amount due to Company on a "tier" basis** (as extracted/ interpreted from the Share Acquisition Agreement and/or the Loan Agreement)**
Between HK$0 to HK$20 billion*	From the Acquisition	0.45% multiplied by Monthly Rolling Turnover ("Formula A")
Above HK$20 billion but below HK$45 billion***	From the Loan	90% of 0.45% of the Monthly Rolling Turnover ("Formula B")
Above HK$45 billion (the "Excess") *(Note)*	From the Acquisition and the Loan	45% of 0.45% of the Excess Monthly Rolling Turnover shall be apportioned to the Acquisition and 90% of (55% of 0.45%) of the Excess Monthly Rolling Turnover shall be apportioned to the Loan

* In the event that the Loan Agreement is not signed, the Monthly Rolling Turnover of Lucky Star shall be solely attributable to the Acquisition regardless of whether the Monthly Rolling Turnover is less than or more than HK$20 billion.

** i.e. If the monthly Rolling Turnover is HK$22 billion, the income to the Company will be derived from Formula A for the first HK$20 billion and the balance from Formula B (assuming the Loan is capitalized for the latter). If the Loan is not capitalised, the income for the Company will only be derived from Formula A for the whole Rolling Turnover amount.

*** In the event that the Loan is less than HK$6 billion, the spread of the aggregate Monthly Rolling Turnover will be reduced pro rata to the decreased amount lent i.e. if the Loan is HK$5.4 billion (a decrease of 10% in the initial amount to be lent), the spread for the Monthly Rolling Turnover from the Loan will be HK$20 billion to HK$40.5 billion (i.e. a 10% decrease from HK$45 billion). However, there will be no change to Formula B.

Note: Mr. Choi's nominee company is entitled to 10% of 0.45% of the monthly Rolling Turnover in excess of HK$20 billion and up to HK$45 billion assuming the Loan is made.

Conditions precedent

Completion is subject to the following conditions having been fulfilled:

(a) Rich Pearl being in its reasonable discretion satisfied with the results of the due diligence investigation in respect of Best Max including but not limited to the affairs, business, assets, results, legal and financing structure of Best Max (in particular, the Star Profit Agreement);

(b) Rich Pearl having received to its reasonable satisfaction a Macanese legal opinion on the legality and validity of the Star Profit Agreement, the gaming promoter licence held by Star and the transactions contemplated thereunder and a Hong Kong legal opinion on the Share Acquisition Agreement. A summary of the findings will be included in the circular to be despatched to Shareholders;

(c) no event having occurred since the date of the Share Acquisition Agreement to Completion, the consequence of which is to materially and adversely affect the financial position, business or property, results of operations or business prospects of Best Max and such material adverse effect shall not have been caused;

(d) the warranties given by Mr. Choi remaining true and accurate and not misleading at Completion as if repeated at Completion and at all times between the date of the Share Acquisition Agreement and Completion;

(e) the passing by the Shareholders at the EGM to be convened and held of an ordinary resolution to approve the Share Acquisition Agreement and the transactions contemplated thereunder, including but not limited to the allotment and issue of the Consideration Shares to Mr. Choi credited as fully paid at the Issue Price and the issue of the Promissory Note;

(f) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Consideration Shares; and

(g) the completion of the Star Profit Agreement.

As at the Latest Practicable Date, condition (b) has been fulfilled.

Completion

Completion shall take place at 11:00 a.m. on the second Business Day after the last of the conditions of the Share Acquisition Agreement having been fulfilled or at such other time as may be agreed between Mr. Choi and Rich Pearl.

The Company will allot and issue the relevant number of Consideration Shares (subject to the 19.99% cap) and issue the Promissory Note upon Completion. Upon Completion, Best Max will be accounted for as a subsidiary of the Company and its financial results will be consolidated into the Group's financial statements. The Group will own 100% of the total issued share capital of Best Max upon Completion, however, as an investor, the Group will not (1) engage in the operation of the gaming promoter business after Completion; (2) play any role in Lucky Star's gaming promoter business through Best Max; and (3) carry out any casino or gaming promotion activities in either Hong Kong or Macau. Therefore, the business activities of the Group will not constitute unlawful activities under the laws of Hong Kong and Macau. The Company will request Lucky Star from time to time to provide information concerning its operation of the gaming promoter business, including evidence concerning the actual Rolling Turnover generated by Lucky Star.

Long-stop date

The Share Acquisition Agreement provides that should the satisfaction of all the above conditions not occur on or before 31st March, 2009 or such other date as the parties thereto may agree, the Share Acquisition Agreement shall terminate.

TERMS OF THE CONSIDERATION SHARES

1,010,665,287 Consideration Shares will be allotted and issued at an issue price of HK$0.45 per Consideration Share, credited as fully paid upon Completion subject to the escrow arrangement as detailed herein. The Consideration Shares, when allotted and issued, shall rank pari passu in all respects with the Shares in issue on the date of allotment and issue of the Consideration Shares including the right to all dividends, distributions and other payments made or to be made, the record date for which falls on or after the date of such allotment and issue. The allotment and issue of the Consideration Shares will not result in a change of control of the Company.

The Consideration Shares represent: (i) approximately 161.44% of the issued share capital of the Company as at the date of the announcement; and (ii) approximately 61.75% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares.

The Issue Price represents (i) a premium of approximately 55% to the closing price of HK$0.29 per Share as quoted on the Stock Exchange on 20th June, 2008, being the date immediately prior to the date of the Share Acquisition Agreement; (ii) a premium of approximately 60% to the average of the closing prices of approximately HK$0.281 per Share as quoted on the Stock Exchange for the last five trading days up to and including 20th June, 2008, being the date immediately prior to the date of the date of the Share Acquisition Agreement; (iii) a premium of approximately 65% to the average of the closing prices of HK$0.273 per Share as quoted on the Stock Exchange for the last ten trading days up to and including 20th June, 2008, being the date immediately prior to the date of the Share Acquisition Agreement, and (iv) a premium of approximately 374% to the closing price of HK$0.095 per Share as quoted on the Stock Exchange as at the latest Practicable Date.

Consideration Shares in escrow

Mr. Choi has undertaken to and covenant with Rich Pearl that forthwith upon Completion, it shall deposit with the Company's legal advisers (or such other escrow agent as may be agreed between the parties) the share certificate for 1,010,665,287 Consideration Shares on and subject to such terms and conditions of an escrow letter subject to such terms and conditions as may be agreed between the parties to the Share Acquisition Agreement and such escrow agent, and in particular a term to the effect that the certificate for the relevant Consideration Shares will only be released to Mr. Choi upon attaining the relevant Star Profit Guarantee for each of the relevant periods as detailed on page 12 herein.

Application for listing

Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

TERMS OF THE PROMISSORY NOTE

The Promissory Note in a principal sum of HK$1,200,000,000 is used to settle part of the consideration under the Share Acquisition Agreement. The Promissory Note has been negotiated on an arm's length basis and the principal terms of which are summarised below:

Parties

The Company as an issuer and Mr. Choi as a payee.

Principal Amount

HK$1,200,000,000.

Interest

The Promissory Note will carry interest at 1.5% per annum, payable annually in arrears by the Company.

Security

If the outstanding sum under the Promissory Note is deducted to cover (1) the shortfall between the profits guaranteed and the profits actually received and/or receivable by Best Max during the First Relevant Period; and/or (2) the shortfall between the profits guaranteed and the profits actually received and/or receivable by Best Max during the Second Relevant Period; and/or (3) the shortfall between the profits guaranteed and the profits actually received and/or receivable by Best Max during the Third Relevant Period and/or (4) the shortfall between the profits guaranteed and the profits actually received and/or receivable by Best Max during the Fourth Relevant Period and/or (5) the shortfall between the profits guaranteed and the profits actually received and/or receivable by Best Max during the Fifth Relevant Period and/or (6) the shortfall between the profits guaranteed and the profits actually received and/or receivable by Best Max during the Sixth Relevant Period in accordance with the terms of the Share Acquisition Agreement, the then outstanding sum (if any) after such deduction shall be repaid by the Company after the Sixth Relevant Period.

If the Company defaults in repayment of any part of the principal sum in accordance with the terms of the Promissory Note, the Company shall pay interest on such overdue sum from the date of default until payment in full (before and after judgment) at the rate of 5% per annum.

Assignment

The Promissory Note may, subject to the ten Business Days' prior written notice to the Company, be transferred or assigned by Mr. Choi to any person. The Company will issue an announcement and inform the Stock Exchange if the Promissory Note is transferred or assigned to the Connected Persons of the Company.

Return of the Promissory Note

If at any time the gaming promoter licence of Lucky Star is cancelled, revoked, terminated or not renewed or amended in a material and adverse manner to Lucky Star by the relevant authorities in Macau, Mr. Choi shall return the Promissory Note to the Company and the Company shall not be obliged to pay any outstanding principal sum under the Promissory Note.

CHANGES IN SHAREHOLDING STRUCTURE

The following table sets out the shareholding structure of the Company (1) before Completion; (2) after allotment and issue of Consideration Shares but before full conversion of Convertible Bond and (3) assuming full conversion of Convertible Bond I and Convertible Bond II:

	As at the Latest Practicable Date		**Immediately after the allotment and issue of Consideration Shares assuming no conversion of Convertible Bond I and Convertible Bond II**		**Immediately after the allotment and issue of Consideration Shares assuming full conversion of Convertible Bond I and Convertible Bond II**	
	No. of shares	*%*	*No. of shares*	*%*	*No. of shares*	*%*
Mr. Lin Cheuk Fung*	375,000,000	9.75	375,000,000	3.73	375,000,000	2.81
Ultra Choice Limited#	720,000,000	18.71	720,000,000	7.16	3,540,000,000	26.54
Faith Mount Limited##	720,000,000	18.71	720,000,000	7.16	1,180,000,000	8.85
Mr. Choi***	–	–	2,010,665,287	19.99**	2,666,337,286	19.99**
Public Shareholders	2,032,244,500	52.83	6,232,690,324	61.96	5,577,018,325	41.81
Total:	3,847,244,500	100.00	10,058,355,611	100.00	13,338,355,611	100.00

* Mr. Lin does not hold any convertible securities of the Company. He was allotted Shares when the Company acquired a gaming vessel from him as announced by the Company on 21st January, 2005.

** The Share Acquisition Agreement provides that the Company shall not be required to allot and issue any Consideration Shares to the Vendor if it would result in the Vendor and parties acting in concert with it holding more than 19.99% of the issued share capital of the Company from time to time. Any additional balance Consideration Shares to be issued to the Vendor will be subject to the Vendor evidencing that it and its concert parties do not hold more than 19.99% of the issued share capital of the Company as enlarged by the additional Consideration Shares to be allotted and issued from time to time.

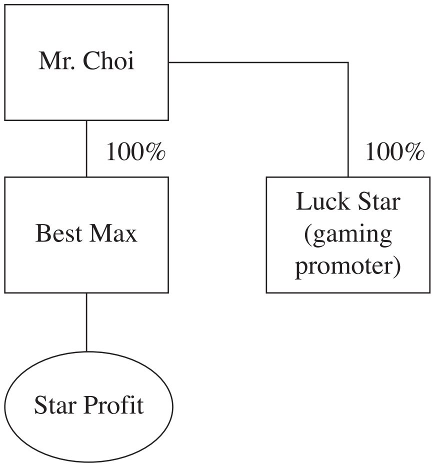
*** Mr. Choi is independent from Ultra Choice Limited and Faith Mount Limited and their beneficial owners and is not acting in concert with any of them.

Ultra Choice Limited has its shareholding in the Company capped at 29.99% pursuant to the Share Acquisition Agreement I (as defined in the Company's announcement dated 29th November, 2007).

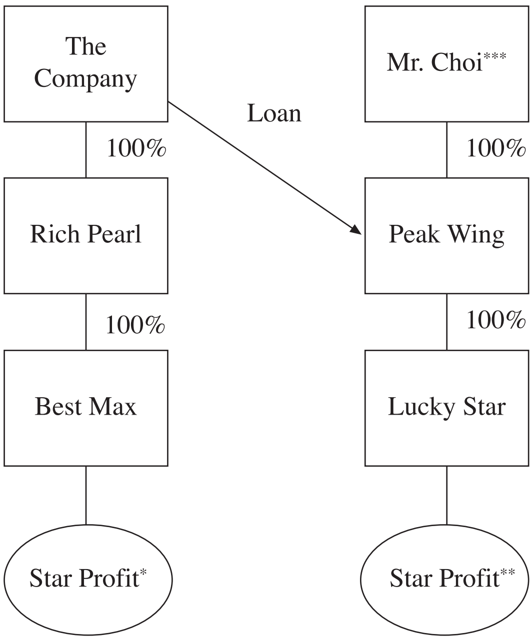
Faith Mount Limited has its shareholding in the Company capped at 19.99% pursuant to the Share Acquisition Agreement II (as defined in the Company's announcement dated 29th November, 2007).

CHANGE OF SHAREHOLDING STRUCTURE OF RELEVANT ENTITIES

The diagram below shows the shareholdings structure of the relevant entities immediately before Completion:



The diagram below shows the shareholdings structure of the relevant entities immediately after Completion and assuming the Loan is made:



* The profit derived from 0.45% of the monthly Rolling Turnover of between HK$0 and HK$20 billion.

** The profit derived from 0.45% of the monthly Rolling Turnover of between HK$20 billion and HK$45 billion of which 10% is due to Mr. Choi's nominee company and the balance 90% (assuming the Loan is not capitalized) due to Peak Wing. If the capitalization of the Loan is made, the Company will be entitled to the latter.

*** Mr. Choi's nominee company is entitled to 10% of the 0.45% of the monthly Rolling Turnover in excess of HK$20 billion and up to HK$45 billion assuming the Loan is made and apportioned thereafter as detailed in the chart on page 14 herein. If no Loan is made to Peak Wing for on-lending to Lucky Star, the 0.45% of the monthly Rolling Turnover of Lucky Star will belong to the Company only.

INFORMATION OF BEST MAX

Information of Best Max

Best Max was incorporated on 10th January, 2008 and is an investment holding company.

According to the unaudited accounts of Best Max, since its incorporation up to 31st May, 2008, Best Max does not record any profit as it has not yet commenced any business and the total assets of Best Max as at 31st May, 2008 were HK$780 and Best Max has no liability as at 31st May, 2008.

The main asset of Best Max will be the Star Profit. Other than the Star Profit Agreement, Best Max does not have any assets or liabilities as at the date of the announcement.

On 22nd June, 2008, Best Max as a purchaser entered into the Star Profit Agreement with Mr. Choi as a vendor and Lucky Star, pursuant to which Mr. Choi has agreed to sell, as beneficial owner, and/or assign to Best Max absolutely his right, title and interest and benefits in and to 100% of the Star Profit at a consideration of HK$1.00.

Under the Star Profit Agreement, Mr. Choi has undertaken to Best Max that he will not at any time:

(1) carry on the business of directing gaming patrons to other casinos in Macau except Galaxy Casino S. A. without the prior written approval from the shareholder(s) of Best Max;

(2) either on his own account or in conjunction with or on behalf of any other person or body corporate or unincorporate in competition with Lucky Star directly or indirectly solicit or entice away from Lucky Star any person or body corporate or unincorporate who now is or at any time a customer of Lucky Star; and

(3) either on his own account or in conjunction with or on behalf of any other person or body corporate or unincorporate directly or indirectly solicit or entice away from Lucky Stat or employ or otherwise engage any person who now is or at any time an employee of Lucky Star.

The Star Profit Agreement shall be completed on or before 31st December, 2008.

The acquisition of the Star Profit is ongoing. There is no expiry date of the Star Profit Agreement.

INFORMATION ON MR. CHOI

Lucky Star is a company incorporated in Macau on 25th February, 2008 and is wholly-owned by Mr. Choi.

Lucky Star has been appointed by the StarWorld Casino at StarWorld Hotel & Casino as a junket representative. The gaming promoter licence of Lucky Star was granted on 23rd May, 2008 and expires on 31st December, 2008.

Mr. Choi has experience and knowledge in Asian gaming, including over 15 years' experience in acting as a junket in Macau, as an oversea promoter to Macau casinos and various VIP gaming rooms in Macau and participating in organization gaming tours for Asian businessmen to various casinos outside of Macau. The Company has enquired with people in the gaming promotion business in Macau to ascertain the past performance of Mr. Choi and/or his nominees in the gaming promotion business and understand that the Rolling Turnover generated by them are in the proximity to those figures proposed to be guaranteed by him under the Star Profit Agreement.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Lucky Star and its ultimate beneficial owner, Mr. Choi, are Independent Third Parties. Mr. Choi was introduced to the Company by Ms. Lao Siu Meng. Ms. Lao Siu Meng was the counterparty when the Company acquired Koppert International Limited as announced by the Company on 10th May, 2007. Koppert International Limited holds Good Omen Enterprises Limited, a company which has acquired the profit of Hoi Seng Sociedade Unipessoal Limitada, a company engaged in the gaming promotion business at the StarWorld Hotel & Casino in Macau. Mr. Choi has no relationship with Ms. Lao.

STAR PROFIT AGREEMENT

On 22nd June, 2008, Best Max as purchaser entered into the Star Profit Agreement with Lucky Star and Mr. Choi. Lucky Star is a licensed gaming promoter whose business is the promotion of gaming to players to VIP lounges at the StarWorld Casino at StarWorld Hotel & Casino in Macau. Its licence granted by the Gaming Inspection and Coordination Bureau of the Macau Government will expire on 31st December, 2008 and is renewable yearly. The junket representative agreement with the StarWorld Casino at StarWorld Hotel & Casino is conditional upon Lucky Star holding a valid gaming promoter licence. The major terms of the Star Profit Agreement are set out as follows:

Asset to be acquired

Lucky Star has on 23rd June, 2008 entered into the Star Junket Representative Agreement as a gaming promoter for the StarWorld Casino at StarWorld Hotel & Casino, Macau. Mr. Choi has conditionally agreed to sell, as beneficial owner, and/or assign to Best Max absolutely his right, title and interest and benefits in and to 100% of the Star Profit, being 0.45% of the Rolling Turnover generated by Star and/or its customers at Level 3 at the StarWorld Casino at

StarWorld Hotel & Casino and Best Max shall purchase/accept the assignment of the Star Profit, free from all liens, claims, equities, charges, encumbrances or third party rights of whatsoever nature and with all rights attached thereto as from the completion date of the Star Profit Agreement.

Consideration

The consideration payable by Best Max to Mr. Choi for the Star Profit sold and/or assigned is HK$1.00.

Conditions

Completion of the Star Profit Agreement is conditional upon the following conditions having been fulfilled or waived (as the case may be):

(a) Best Max obtaining such legal opinions as it may in its absolute discretion require on, inter alia, the legality and enforceability of the junket operation conducted by Lucky Star at the StarWorld Casino at StarWorld Hotel & Casino and the legality of the transactions contemplated thereunder;

(b) the warranties given by Lucky Star in the Star Profit Agreement remaining true and accurate in all material respects;

(c) Best Max being satisfied in its absolute discretion with the results of the due diligence investigation in respect of Lucky Star, including but not limited to the affairs, business, assets, legality of all business and commercial activities conducted at the StarWorld Casino at StarWorld Hotel & Casino, any other due diligence relevant to the sale and purchase of the Profit, liabilities, operations, records, financial position, value of assets, accounts, results, legal and financing structure of Lucky Star; and

(d) Lucky Star being licensed by the Macau Government to act as a gaming promoter pursuant to Administrative Regulation 6/2002 of Gaming Intermediaries Regulation.

As at the Latest Practicable Date conditions (a) and (d) have been fulfilled.

Completion

Completion shall take place on the fifth Business Day or on such date as may be agreed between the parties after the last of the conditions of the Star Profit Agreement having been fulfilled or waived.

SERVICE CONTRACT

Upon Completion, Mr. Choi will enter into a service contract with the Company to act as general manager of the Company for managing the Group's investments in Best Max. The scope of his work includes overseeing the business volume and progress of Best Max and monitoring the development of Macau gaming industry which are relevant to the business of Best Max. The Directors consider employing him as general manager is beneficial to the Group based on, inter alia, the following factors:

(a) Mr. Choi is well versed in the Macau gaming market and can provide updated market information as to the trend, the move as well as the performance of various market practitioners in Macau;

(b) Mr. Choi's experience in the market can, together with existing managers with relevant experience, assist the Company in investor relations as the Company has not engaged any staff of such expertise and experience; and

(c) By "recruiting" Mr. Choi as an employee, the Company has the legal right in having Mr. Choi worked on an active basis via asking him the relative performance of Lucky Star when deem appropriate (rather than passively waiting till month end for the figures). Correspondingly, the Company can monitor the development of Best Max in a more timely manner.

The service agreement will also contain terms to the effect that:

(1) The appointment shall be for an initial term of ten years (subject to independent Shareholders' approval where necessary otherwise on three years term renewable for additional three year periods up to ten years in which case the Company will comply with Chapter 14A of the Listing Rules) and renewable automatically for successive terms of one year each commencing from the day next after the expiry of the then current term of the appointment, unless terminated pursuant to the terms of the service agreement or by not less than six months' notice in writing served by either party expiring at the end of the initial term or at any time thereafter.

(2) The Company shall pay to Mr. Choi a salary at the rate of HK$1,200,000 per annum.

(3) During the term of his appointment and for a period of ten years thereafter and save as otherwise provided in the Share Acquisition Agreement, Mr. Choi shall not at any time carry on the business of directing gaming patrons to other casinos in Macau other than StarWorld Casino.

Mr. Choi will not be appointed as a director of the Company or its subsidiaries nor have any management role on the Board.

The terms of the service agreement between Mr. Choi and the Company were negotiated on an arm's length commercial basis and the Company believes it is beneficial to the Company to have Mr. Choi's services for such length of time. Bonuses payable to him under the service contract is discretionary but is expected to be based on his performance and also that of Lucky Star.

LOAN AGREEMENT

Date

22nd June, 2008

Parties

(1) The Company, as the lender

(2) Peak Wing, as the borrower and is an Independent Third Party

(3) Mr. Choi as guarantor of Peak Wing

Principal Terms

Loan amount:

Up to a maximum aggregate amount of HK$6,000,000,000 (or such other amount as may be determined by the Company in its absolute discretion in which case a further announcement will be made). If the Loan amount of HK$6 billion cannot be raised, further negotiations will take place on the amount to be lent but the additional monthly Rolling Turnover generated is likely to be reduced pro rata to the amount reduced from the initial amount of the Loan. ie. if HK$6 billion is raised and ultimately on-lent to Lucky Star and can generate an additional HK$25 billion in Rolling Turnover per month, then if only HK$4 billion is raised and ultimately on-lent to Lucky Star, then the additional monthly Rolling Turnover will be $\frac{4}{6}$ X HK$25 billion: that is approximately HK$16.67 billion Monthly Rolling Turnover, a pro rata reduction of $\frac{1}{3}$.

Availability period:

Peak Wing may make a drawing or drawings on the loan amount after the date the Loan Agreement becomes unconditional (or such other period as shall be allowed by the Company) subject to prior consultation with the Company.

Interest rate:

The prime lending rate as quoted by the Hongkong and Shanghai Banking Corporation Limited in Hong Kong from time to time plus 2% per annum. Interest will be payable once every six months in arrears.

Conditions precedent:

The Loan Agreement is subject to the fulfillment of the following conditions that:

a. successful completion of a fund raising exercise by the Company raising up to HK$6,000,000,000 on or before 31st March, 2009;

b. the Company being in its reasonable discretion satisfied with the results of the due diligence reviews in respect of Lucky Star and Peak Wing including but not limited to the affairs, business, legal and financial structures of Lucky Star and Peak Wing;

c. the Company shall have received to its reasonable satisfaction a Macanese legal opinion on the legality and validity of the First Transfer Agreement (including the ability of Lucky Star to obtain loans from third parties) and the transactions contemplated thereunder and a Hong Kong legal opinion on the Loan Agreement;

d. the Shareholders shall have approved the Loan Agreement and the transactions contemplated thereunder;

e. Mr. Choi shall have executed a share mortgage (in form and substance satisfactory to the Company) in favour of the Company wherein Mr. Choi shall charge or mortgage 100% of the total issued share capital of Peak Wing held by him to the Company;

f. Mr. Choi shall have executed a deed of guarantee (in form and substance satisfactory to the Company) in favour of the Company wherein Mr. Choi shall guarantee the due performance of the obligations of Peak Wing under the Loan Agreement; and

g. all relevant approvals and consents from governmental or other competent authorities relating to the Loan Agreement and the transactions contemplated thereunder shall have been obtained.

The Company may in its absolute discretion waive any of the conditions precedent by notice in writing to Peak Wing if the applicable laws, rules and regulations so permit. If any of the above conditions precedent is not fulfilled or waived within 30 days from the date of the Loan Agreement or such later date as the parties may agree, the Loan Agreement will lapse and become null and void.

Repayment:

On demand by the Company provided that Peak Wing is not allowed to early repay the Loan or any part thereof unless with the prior consent of the Company.

Such restriction is for the benefits of the Company and the Shareholders as the Company can continue to have the repayment of interest accruing on the Loan. Since the Loan is repayable on demand, the Company can demand Peak Wing to repay at anytime. However, there is no repayment schedule or due date for Peak Wing to repay the Loan.

Securities:

(i) a share mortgage executed by Mr. Choi in favour of the Company relating to the 100% of the total issued share capital of Peak Wing held by him and (ii) a deed of guarantee executed by Mr. Choi in favour of the Company.

Use of loan proceeds:

The proceeds of the loan shall be on lent by Peak Wing to Lucky Star or otherwise applied towards the operating capital of Lucky Star in carrying out the junket business (such as acquiring non-negotiable chips) in Macau but not otherwise. Documentation evidence will be requested by the Company of such onlending of the Loan.

Capitalization:

Within the period of twelve months from the date of the Loan Agreement or such later date as the parties may agree in writing, the Company shall have the right, at its absolute discretion (having regards to the performance of Lucky Star), by giving not less than three days' notice in writing to Peak Wing, to capitalize on a one-off basis a maximum amount HK$200,000,000 of the principal amount of the Loan for an allotment and issue of such number of new shares of Peak Wing representing 99.99% of the enlarged issued share capital of Peak Wing on a fully diluted basis. The Directors believed that the HK$200,000,000 is fair and reasonable given that following the capitalisation the Company will own the profit under the First Transfer Agreement. The Company will comply with the Listing Rules in the event that capitalisation of the Loan constitutes a notifiable transaction for the Company.

The capitalization amount and the Company's percentage of interests in Peak Wing after capitalization have been determined after arm's length negotiations between the Company, Peak Wing and Mr. Choi with reference to (i) the estimated Profits that will be generated by Lucky Star based on the guaranteed Rolling Turnover; and (ii) the funding of the operating capital for Lucky Star's junket business by way of the Loan.

Reason for the Loan:

The making of the Loan would enable Peak Wing to on-lend this to Lucky Star thereby enabling Lucky Star to generate higher Rolling Turnover and in return higher income for the Company (on the assumption the Loan is capitalized).

INFORMATION ON PEAK WING

Peak Wing is a company that has entered into the First Transfer Agreement. Pursuant to the First Transfer Agreement, Lucky Star has agreed to transfer 90% of its 0.45% of the monthly Rolling Turnover of in excess of HK$20 billion to Mr. Choi or his nominee company. Peak Wing's issued share capital is 1 share of US$1.00 each. Peak Wing is an investment company.

REASONS FOR THE ACQUISITION AND LOAN

The activities of the Group include investment in operations which receive profit streams from the Macau gaming business and manufacturing and trading of electrical equipment, provision of electrical engineering and contracting services, securities trading, and leasing and management of cruises. The Group will continue with all its existing businesses following Completion.

The Company had already announced on 9th February, 2007 and 10th May, 2007, the acquisition of a indirect interest in the rolling turnover of Hou Wan Entertainment Unipessoal Limitada at the Sands Macao and Hoi Seng Sociedade Unipessoal Limitada at StarWorld Casino at StarWorld Hotel & Casino. The Group announced on 29th November, 2007 that it had acquired 85% of the issued share capital of Profit Forest. Profit Forest is an investment holding company whose main asset is the Hao Cai Profit. Following the completion of the acquisition of Profit Forest, the Directors believe that the proposed Acquisition and granting of the Loan will further maximize return to Shareholders. The making of the Loan by the Company directly to Peak Wing rather than to Lucky Star would not require the Company in getting any approvals (if necessary) from the relevant authorities in Macau. The Directors (including the Independent Non-executive Directors) are of the view that the security of the Loan is sufficient in light of the share mortgage and personal guarantee by Mr. Choi. The reason being (i) the Company can take control of Peak Wing by enforcing the share charge in the event of default thereby enabling the Company through Peak Wing to obtain additional income stream derived from Lucky Star's enlarged gaming promoter business at the StarWorld Hotel as a result of the Loan and (ii) as Mr. Choi owns the entire issued share capital of Lucky Star and the Company being aware of the amount of capital deposit required for its gaming promoter business, he should have sufficient credit worthiness for the guarantee. Based on the statistics in relation to "Gross revenue from different gaming activities" as published in the official website of Gaming Inspection and Coordination Bureau of the Government of Macau, the revenue generated by the gaming activities is growing steadily at an average growth rate of approximately 23% each year for the period between 2001 and 2006, and the gaming revenue amounted to MOP57.52 billion for the year of 2006. In the first half of the year 2007, the actual reported gross gaming revenues of Macau have grown further by about 46.3% comparing with the corresponding period of last year. The Directors expects that the Acquisition and granting of the Loan will be a good opportunity for the Group to generate further income in the future.

To ensure the Acquisition is fair and reasonable and in the interest of the Shareholders as a whole, (1) legal opinion has been sought to ensure that the gaming business participated by Lucky Star is lawful; and (2) the Directors have also made reference to the price earning multiple of approximately 4.0 times the 100% of the average guaranteed Star Profit for the First Relevant Period, the Second Relevant Period, the Third Relevant Period, the Fourth Relevant Period, the Fifth Relevant Period and the Sixth Relevant Period respectively and consider that the price earning multiple is fair and reasonable, especially with reference to the price earning multiples of similar transactions announced by other listed issuers of the Stock Exchange. Furthermore, so long as Lucky Star's gaming promoter licence is renewed and its junket representative agreement renewed, the income stream from the Acquisition is for an indefinite period.

Taking into account the benefits of the Acquisition and granting of the Loan as described above and the valuation report in Appendix VI (which indicates an immediate 4% gain on the Acquisition as the value of Best Max is estimated to be HK$4.5 billion as compared to the acquisition cost of HK$4.32 billion), the Directors (including the independent non-executive Directors) are of the view that the Share Acquisition Agreement and the Loan Agreement are entered into upon normal commercial terms following arm's length negotiations between the parties to the Share Acquisition Agreement and the Loan Agreement, the terms of the Share Acquisition Agreement and the Loan Agreement are fair and reasonable and the Acquisition and the Loan are in the interests of the Company and the Shareholders as a whole. Furthermore, the Directors believe that the issue price of Consideration Shares is fair and reasonable in light of the benefits of the Acquisition.

FINANCIAL EFFECT OF THE ACQUISITION

Prior to the Acquisition, the Company does not hold any interest in Best Max. Upon the completion of the Acquisition, the Company will directly and beneficially own 100% of the equity interest in Best Max. According to the accounting policies of the Group, Best Max will be treated as an indirect wholly-owned subsidiary of the Company and its financial results will be consolidated into the Group.

Earnings

The Group recorded an audited consolidated profit attributable to the equity holders of the Company of approximately HK$5 million for the year ended 30 June 2007. According to the unaudited pro forma financial information on the Enlarged Group set out in Appendix V to this circular, the unaudited consolidated loss attributable to the equity holders of the Enlarged Group would be approximately HK$543 million after the completion of the Acquisition and the pro forma basic earnings per share will be approximately HK7.20 cents being the pro forma net loss of the Enlarged Group divided by the total issued shares.

Negative goodwill of approximately HK$587 million arising from the Acquisition, which is derived from the consideration of HK$3,913 million (at assumed fair value) minus the fair value of 100% interest in the net assets of Best Max acquired which amounted to approximately HK$4,500 million as at 30 June 2007.

Taken into account the multiple increase in revenue after the Acquisition, the Group expects to have positive effect on its EBITDA, earning per shares. On the asset side, the Group's non-current assets figures will be inflated by increase in investment in subsidiaries and thereby the net effect of such increase in cash or account receivable and issuance of promissory notes to vendors will balance off each other. The increase in net asset will be reflected after the realization of the yearly profit.

Assets

As at 30 June 2007, the audited total assets of the Group were approximately HK$452 million. As set out in the unaudited pro forma balance sheet of the Enlarged Group as set out in Appendix V to this circular, the unaudited pro forma total assets of the Enlarged Group would be increased by approximately HK$4,174 million to approximately HK$4,626 million, where the unaudited pro forma net assets of the Enlarged Group would be approximately HK$3,678 million and turned to net tangible liabilities (total assets less goodwill less less intangible asset less total liabilities) of approximately HK$821 million. The increase in unaudited total assets is mainly attributable to the net effect of increase in interest in a profit sharing agreement of approximately HK$4,500 million and decreases in cash and balances of approximately HK$325 million arising from the Acquisition.

Liabilities

The Group recorded audited consolidated total liabilities of approximately HK$156 million as at 30 June 2007. As set out in the pro forma consolidated balance sheet of the Enlarged Group as set out in Appendix V to this circular, the unaudited pro forma total liabilities of the Enlarged Group would be increased by approximately HK$793 million to approximately HK$949 million. The increase is mainly attributable to the issuance of the Promisory Note of approximately HK$706 million and the deferred tax liabilities of approximately HK$87 million.

The Directors are of the view that there would not be any material capital commitment nor contingent liability arising from the Acquisition that will have material adverse impact on the financial position of the Group immediately after the completion of the Acquisition. However, there will be a maximum capital commitment under the Loan Agreement of HK$6 billion in the event that that amount is raised or such lower amount if a lower amount is raised and the condition precedent in the Loan Agreement to raise HK$6 billion is waived.

The making of the Loan is subject to fund raising by the Company. This is expected to increase the liabilities of the Group by the amount raised on a debt basis. However, the Loan will be onlent to Peak Wing and ultimately to Lucky Star for its gaming promotion business. The interest on the Loan and the loan due from Peak Wing would be an asset of the Company and the loaned amount would enable Lucky Star to generate greater business thereby increasing its profit and ultimately the revenue for the Company.

LISTING RULES IMPLICATIONS

As the relevant percentage ratios as referred to in Chapter 14 of the Listing Rules for the Acquisition are more than 100%, the Acquisition constitutes a very substantial acquisition on the part of the Company under Chapter 14 of the Listing Rules. As the relevant percentage ratios as referred to in Chapter 14 of the Listing Rules for the Loan Agreement are more than 25%, the Loan constitutes a major transaction for the Company under Chapter 14 of the Listing Rules. The Company will comply with the continuing connected transaction requirements of Rule 14A.41 of Chapter 14A of the Listing Rules in respect of the Loan in the event Mr. Choi becomes a connected person of the Company.

Accordingly, the Acquisition and the Loan are subject to, among other things, the approval by the Shareholders at the EGM. As no Shareholder has a material interest in the Acquisition and the Loan Agreement which is different from the other Shareholders, no Shareholder is required to abstain from voting at EGM.

IMPLICATIONS UNDER THE LAWS OF HONG KONG, MACAU AND THE LISTING RULES

After Completion, the Group, including Best Max, will not directly or indirectly be engaged in gambling activities and operation of such gambling activities.

Having duly considered the relevant laws of Hong Kong, including the Gambling Ordinance (Cap. 148), Crimes Ordinance (Cap. 200) and laws governing money laundering activities, the Company's legal advisers, Robertsons, view as at the Latest Practicable Date is that:

(1) Completion and the making of the Loan will not result in the Group directly or indirectly engaging in gambling activities and operation of such gambling activities as they are merely investments and/or loans to parties whose income is derived from gaming and there is no gaming activities itself conducted by the Company;

(2) the Company is not in breach of any applicable laws of Hong Kong as a result of the Acquisition;

(3) the gaming promoter business carried out by Lucky Star does not contravene any applicable laws of Hong Kong;

(4) the gaming activities carried out by Lucky Star in Macau are legal and lawful under Macau law;

(5) the gaming promoter activity carried out by Lucky Star does not contravene any applicable law of Macau;

(6) the Star Profit Agreement and the transactions contemplated thereunder do not contravene the law of Macau; and

(7) the Company is permitted to make the Loan and the Loan Agreement is legally binding on the Company under Hong Kong law.

Shareholders should be aware that under the guidelines issued by the Stock Exchange in relation to "Gambling activities undertaken by listing applicants and/or listed issuers" dated 11th March, 2003, should the Group directly or indirectly be engaged in gambling activities and operation of such gambling activities (i) fail to comply with the applicable laws in the areas where such activities operate and/or (ii) contravene the Gambling Ordinance, the Company or its business may be considered unsuitable for listing under Rule 8.04 of the Listing Rules, the Stock Exchange may direct the Company to take remedial action, and/or may suspend dealings in, or may cancel the listing of, the Shares.

Apart from relying on such stringent official control, the Company will also use its best endeavours to procure that effective internal control systems in place to make sure that the dividend distributed from Best Max is derived from proper source.

In fact, the Company has issued its internal written policies to prevent money laundering, which has been communicated to the management and relevant staff in the Company. Basically, the Company has established and maintained procedures to combat money laundering so as to enable suspicions of money laundering to be recognized and reported to the authorities and to produce its part of the audit trail to assist in official investigation. In particular, the Company:

1. has procedures to verify the identity of new clients/counterparties;

2. has record keeping procedures and will keep the relevant records, including account ledger records, a record of all internal reports to the money laundering reporting officer regarding suspected money laundering, a record of all investigations and other information taken into account by the money laundering reporting officer when deciding whether or not to report to the authority and a record of all reports to the authority regarding the suspected money laundering, for a certain period of time;

3. has procedures for employees to report any suspicious transactions, normally, the employees have to report and discuss with the money laundering reporting officer any suspected transaction without delay;

4. will ensure that employees are suitably trained and made aware of the reporting procedures and in the recognition and handling of suspicious transactions. Periodic training will be provided to the employees so as to regularly refresh their knowledge of combating money laundering; and

5. has appointed a money laundering reporting officer. He will make further appropriate investigations into the suspected money laundering activities reported to him by the employees and will report the same to the relevant authorities, including the Hong Kong Monetary Authority and co-operate with them.

The Company will cross-check the Star Profit received or receivable with the original monthly junket representative settlement forms issued by the StarWorld Casino at StarWorld Hotel & Casino recording the Rolling Turnover generated by Lucky Star. Further, the Company will from time to time obtain direct confirmations in respect of the Rolling Turnover generated by Lucky Star from the StarWorld Casino at StarWorld Hotel & Casino.

Having duly considered the relevant laws of Hong Kong, including the Gambling Ordinance (Cap. 148), Crimes Ordinance (Cap. 200) and laws governing money laundering activities, the Company's legal advisers' view as to Hong Kong law as at the Latest Practicable Date is that:

(a) the Company is not in breach of any applicable laws of Hong Kong as a result of the Acquisition; and

(b) the gaming promotion business carried out by Lucky Star does not contravene any applicable laws of Hong Kong.

The Company has also obtained a legal opinion from its Macau legal advisers, Leong Hon Man Law Office, as to Macau law as at the Latest Practicable Date, that to the best of their knowledge:

(1) the gaming activities carried out by Lucky Star in Macau are legal and lawful under Macau law;

(2) the gaming promoter activity carried out by Lucky Star does not contravene any applicable laws of Macau;

(3) the Star Profit Agreement and the transaction contemplated thereunder does not contravene the laws of Macau; and

(4) Lucky Star can obtain loans from third parties (regardless of their place of incorporation) for its gaming promotion business.

In relation to the prevention of the money laundering activities, as Lucky Star is licensed to operate junket business and is licensed to operate gaming business by the relevant authorities in Macau and the amount of bet/Rolling Turnover in the StarWorld Casino is properly registered by Lucky Star, its gaming activities and businesses are subject to stringent control and regulation of the Macau Government. As covered by the legal opinion as to Macau law, Lucky Star is validly licensed to act as gaming promoter (or junket) in Macau. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, StarWorld Casino is licensed to operate junket business and gaming business by the relevant authorities in Macau. As such, the Directors believe the activities Lucky Star and StarWorld Casino participate should be legal and lawful and thereby the income derived from these activities should also be lawful and proper because:

(1) StarWorld Casino is the concessionaire licensed by the Macau Government to carry out casino business in Macau;

(2) Lucky Star is validly licensed to act as gaming promoters in Macau, as evidenced in the "Licena De Promotor De Jogo Pessoa Colectiva".

DIRECTORS' VIEW ON THE STAR JUNKET REPRESENTATIVE AGREEMENT AND THE DUE DILIGENCE WORK DONE BY THE DIRECTORS

As the Star Junket Representative Agreement is confidential, the Directors had not reviewed the Star Junket Representative Agreement. However, prior to and after the signing of the Acquisition Agreement, the Directors had conducted the following work:

(1) In respect of Star Junket Representative Agreement,

  (a) the Directors including the independent non-executive Directors had visited the StarWorld Hotel on several occasions to observe the business operations in general, i.e. business level in terms of customers head count and operation flows;

(b) the Directors (including the independent non-executive Directors) had reviewed the Licenca De Promotor De Jogo Pessoa Colectiva (法人的博彩中介人准照), the licence granted by DICJ (the relevant governmental department in Macau responsible for the issuance of gaming promoter licences) to Lucky Star to act as gaming promoters. It shows that the company for which Lucky Star can work as gaming promoter is Lucky Star Entretenimento Sociedade Unipessoal Limitada; and

(c) the Directors (including the independent non-executive Directors) had also reviewed the legal opinion of Macau lawyers instructed by the solicitors acting for Lucky Star for the transaction, concerning the legality and validity of the Star Junket Representative Agreement and the transactions contemplated thereunder. The opinion from the Macau lawyers further corroborates the belief of the Directors (including the independent non-executive Directors) that the Star Junket Representative Agreement does, in fact, exist.

(2) In respect of Mr. Choi, due diligence on his experience, capability and reputation in the gaming promoter business.

RISK FACTORS OF JUNKET BUSINESS, LICENSING SYSTEM AND REGULATIONS

The followings are the risk factors in relation to the junket business operated by Lucky Star:

(1) The provision of junket business is competitive in general. There is no guarantee that the targeted customers of Lucky Star will not be lured away by other junket operators.

(2) The Rolling Turnover generated by Lucky Star operating as a junket representative in the StarWorld Casino at StarWorld Hotel & Casino relies on, among other factors, the attractiveness of the StarWorld Hotel to the prospective customers, Lucky Star's ability to procure customers to the StarWorld Hotel, annual renewal of the gaming promoter licence of Lucky Star by the Macau Government, tenure of Lucky Star acting as junket representative for the StarWorld Hotel under the Star Junket Representative Agreement. There is no assurance that the StarWorld Hotel is always attractive. In the event that Lucky Star ceases to be committed to the junket business or cease to be appointed as junket representative by the StarWorld Hotel, the junket business, and thereby the Star Profit to be paid to Best Max, may be adversely affected. Moreover, if Lucky Star fails to obtain the renewal of its gaming promoter licence from the Macau Government, it can no longer operate its junket business and no Star Profit can be paid to Best Max as a result.

(3) In the event that the StarWorld Hotel becomes the target for carrying out money laundering, the Rolling Turnover generated by Lucky Star may be affected and/or interrupted.

(4) The operation of the junket business by Lucky Star is subject to the ability of Lucky Star in obtaining their respective renewed licence from the Macau Government each year.

(5) The availability of the Star Profit relating to the Rolling Turnover generated by Lucky Star at the StarWorld Hotel pursuant to the Star Junket Representative Agreement heavily depends on the subsistence of the Star Junket Representative Agreement and on whether the Star Junket Representative Agreement can be successfully renewed. The Star Junket Representative Agreement may or may not be renewed by the StarWorld Hotel at the expiry of the term of the Star Junket Representative Agreement. In general, the term of agreement between the junket operator and the casino operator is tied with the terms of the gaming promoter licence.

(6) As parts of the Star Profit is sourced from Rolling Turnover generated by Lucky Star pursuant to the Star Junket Representative Agreement, there is a risk that those part of the Star Profit will cease to be source of the Star Profit if the Star Junket Representative Agreement expires or the gaming promoter licence of Lucky Star cannot be renewed.

(7) The PRC Government may impose further stringent control over the applications of Chinese residents to Macau (such as even longer waiting periods between permitted visits) thereby reducing the number of potential players at VIP lounges.

To become a junket operator in Macau, it is necessary for the junket operator to obtain a licence from the Gaming Inspection and Coordination Bureau of the Macau Government. The licence granted to the junket operator is valid for one year and is renewable.

The licensing process is initiated with an application request submitted to the Gaming Inspection and Coordination Bureau of the Macau Government including several documents, namely a filled form containing a questionnaire to ascertain the probity of the applicant and a declaration of a concessionaire, duly signed by a legal representative or a director with capacity to bind the company, indicating the intention of the concessionaire to work with such junket operator. The licence can only be granted when the applicant is found to comply with the probity requirements. If the applicant is a corporate gaming operator, the probity requirements also apply to its shareholder with 5% or more of the share capital and its key employees. To consider whether the applicant fulfills the probity requirement, the Gaming Inspection and Coordination Bureau of the Macau Government will consider the information provided by the applicant in the questionnaire, including its corporate, business and financial information, information regarding its key employees and shareholders, judicial litigation and governmental investigation, bankruptcy and insolvency, its previous experience in junket business. The relevant authorities will also consider the information provided by the corporate applicant's shareholder with 5% or more of the share capital and key employees, including their personal and family background, their financial information and civil proceedings or criminal investigation that they may involve.

In order to renew the licence, the junket operator shall submit an application form accompanied by a declaration made by the concessionaire or sub-concessionaire, duly signed by a legal representative or a director with capacity to bind the company, indicating the intention of the concessionaire to work with such gaming promoter in the subsequent year, to the Gaming Inspection and Coordination Bureau of the Macau Government by 30th September of each year.

The PRC Government has been implementing tightened control over applications of Chinese resident in Macau. The Directors are of the view that the hardest sector affected will be the mass market sector and, so for, to a lesser extent the “VIP gaming” sector (i.e. not mass market). Of course, certain PRC residents who gamble in VIP lounges will be affected but since the inception of PRC government restrictions, the VIP market has decreased but not to a significantly material rate. This is supported by an article in the South China Morning Post newspaper dated 3rd September 2008, which indicated that Macau gaming revenue increased 44% in August, 2008 despite the third month of the PRC’s measures to curtail visits by mainlanders to Macau. Accordingly, the Board’s view is that the overall effect will not be significant and Mr. Choi has indicated that it is the intention of Lucky star that players from other countries within the Asia Pacific Region will be targeted and more manpower installed therefor to lure such players to Macau . Therefor reliance on Chinese residents for gaming revenue will be lessened.

PROCEDURE FOR DEMANDING A POLL

According to Article 58 of the articles of association of the Company, at any general meeting a resolution put to the vote shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is duly demanded. Subject to the Companies Ordinance, a poll may be demanded by:

(a) the Chairman of the meeting; or

(b) at least three Shareholders present in person or by proxy and entitled to vote; or

(c) any Shareholder or Shareholders present in person or by proxy and representing in the aggregate not less than one-tenth of the total voting rights of all members of the Company having the right to attend and vote at the meeting; or

(d) any Shareholder or Shareholders present in person or by proxy and holding shares conferring a right to attend and vote at the meeting on which there have been paid up sums in the aggregate equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

THE EGM

A notice convening the EGM to be held at The Royal Pacific Hotel and Towers, Pacific Room I, 9th Floor, Towers Wing, 33 Canton Road, China Hong Kong City, Tsimshatsui, Kowloon, Hong Kong on 20th October, 2008 at 10:00 a.m. for the purpose of considering and, if thought fit, passing, with or without amendments, the ordinary resolutions to approve the entering into of the Share Acquisition Agreement, the Acquisition and the transactions contemplated thereunder, the entering into of the Loan Agreement, the allotment and issue of the Consideration Shares and the issue of the Promissory Note is set out on page 209 of this circular.

A form of proxy for use by the Shareholders at the EGM is enclosed. Whether or not you are able to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's branch registrars in Hong Kong, Computershare Hong Kong Investor Services Limited, Room 1806-7, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

RECOMMENDATION

The Board is of the opinion that the terms of the Acquisitions and the Acquisition Agreements are fair and reasonable in the interests of the Company and the Shareholders as a whole. The Board recommends that the Shareholders to vote in favour of the resolutions as set out in the notice of the EGM.

ADDITIONAL INFORMATION

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

Yours faithfully,
For and on behalf of
Neptune Group Limited
Lin Cheuk Fung
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

(A) For the year ended 30 June 2005

BUSINESS OVERVIEW

The audited net loss of the Group for the year ended 30 June 2005 amounted to HK$10,974,000.

The Board is at all times identifying suitable projects and/or investments that would be reasonably expected to generate profits and/or have potential for capital appreciation. Should they be materialized, the consideration for such projects and/or investments would be satisfied by means of the issue of new ordinary shares of the Company and/or by being granted new and/or additional banking facilities.

MANUFACTURING AND TRADING OF ELECTRICAL EQUIPMENT AND PROVISION OF ELECTRICAL ENGINEERING AND CONTRACTING SERVICES

For the year ended 30 June 2005, the Group recorded a turnover of HK$77,009,000 in respect of the manufacturing and the trading of electrical equipment and the provision of electrical engineering and contracting services. Although Hong Kong's economy is recovering, the competition is still fierce. The Group is adopting progressive strategy to expand its market share. Turnover of such business operations increased by approximately 41% as compared with those of last year and the gross profit increased by 50%.

TRADING OF LISTED INVESTMENTS IN SECURITIES

During the year ended 30 June 2005, the Group did not engage in the trading of investments in listed securities.

ENTERTAINMENT BUSINESS

During the year ended 30 June 2005, the Group did not focus in the entertainment business.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

The Group had net current assets of HK$100,621,000 as at 30 June 2005. Total bank and other borrowings amounted to HK$771,000 as at 30 June 2005. The net asset value of the Group as at year end was HK$222,450,000. The gearing ratio, calculated on the basis of total liabilities over total shareholders' funds as at 30 June 2005, was approximately 24%.

During the year, the Group has issued 3,316,270,000 new ordinary shares. Subsequent to the balance sheet date, the Company has issued convertible notes of HK$40,000,000 to 2 independent third parties. For further details, please refer to Company's announcement dated 14 September 2005.

SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITIONS

During the year, the conditions precedent to completion of the Group's proposed acquisition of 70% interest and loan in EC Link Pacific Limited has not been completely fulfilled and the proposed acquisition was terminated. Please refer to the Company's announcement dated 3 May 2005.

In June 2005, the Group has acquired 70% interest and loan in Walden. The Group intends to engage in cruise ship business. For details, please refer to the Company's circular dated 14 March 2005.

In November 2007, the Group acquired 85% of the issued share capital of Profit Forest Limited and Sky Advantage Limited, both of which have acquired the revenue derived from the gaming promotion business in Macau. The aggregate consideration for such acquisitions is HK$1,245,690,000 and is satisfied by a combination of cash, convertible bonds and Shares.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES AND RELATED HEDGES

As at 30 June 2005, substantially all monetary assets of the Group were comprised of cash and bank balances and pledged time deposits, which denominated in Hong Kong dollars. Exchange risk of the Group is minimal.

As at 30 June 2005, the Group did not have any foreign currency investments which have been hedged by currency borrowings and other hedging instruments.

EMPLOYEES

The Group employs approximately 72 staff in Hong Kong. Total staff costs for the year under review amounted to approximately HK$11,420,000. The Group's remuneration packages are generally structured by reference to market terms and individual merit. Salaries are normally reviewed on an annual basis based on performance appraisals and other relevant factors.

The Company maintains a share option scheme under which share options may be granted to certain eligible directors and full-time employees.

CHARGES ON ASSETS AND CONTINGENT LIABILITIES

As at 30 June 2005, the leasehold land and buildings of a Group's subsidiary with carrying amount of HK$5,589,000 were pledged to a bank for banking facilities. A subsidiary's bank deposits of HK$3,000,000 had been pledged to secure general banking facilities granted to the subsidiary.

As at 30 June 2005, certain Hong Kong employees have achieved the required number of years of service to the Group and the possible future long service payment to such employees amounted to HK$1,572,000 (2004: HK$302,000).

On 1 September 2004, a writ of summons and statement of claim was made by The Center (49) Limited against the Company in respect of the office previously rented by the Group. The claim is for a sum of approximately HK$3.3 million together with interest and cost. In the opinion of the directors, the amount claimed is unreasonable. The Group would vigorously contest against such claim. After obtaining legal advice, a provision of approximately HK$1.6 million has been made in the financial statements for the year ended 30 June 2004. During the year ended 30 June 2005, there has been no significant progress. At the date of approval of these financial statements, the case is still pending for hearing.

(B) For the year ended 30 June 2006

BUSINESS OVERVIEW

The audited net profit of the Group for the year ended 30 June 2006 amounted to HK$9,603,000.

The Board is at all times identifying suitable projects and/or investments that would be reasonably expected to generate profits and/or have potential for capital appreciation. Should they be materialized, the consideration for such projects and/or investments would be satisfied by means of the issue of new ordinary shares of the Company and/or by being granted new and/or additional banking facilities.

MANUFACTURING AND TRADING ELECTRICAL EQUIPMENT AND PROVISION OF ELECTRICAL ENGINEERING AND CONTRACTING SERVICES

For the year ended 30 June 2006, the Group recorded a turnover of HK$76,134,000 in respect of the manufacturing and the trading of electrical equipment and the provision of electrical engineering and contracting services.

The Group is adopting progressive strategy to expand its market share. Turnover of such business operations decreased by approximately 1% as compared with those of last year and the gross profit increased by 16%.

TRADING OF LISTED INVESTMENTS IN SECURITIES

For the year ended 30 June 2006, the Group recorded a turnover of HK$1,427,000 and realized a profit of HK$582,000 in respect of trading of listed investments in securities.

CRUISE BUSINESS

During the year under review, the cruise business has contributed a principal income to the Group. Turnover for the leasing of the cruise ship was recorded approximately HK$27,000,000, which accounted for approximately 26% of the Group's total turnover. Segment result amounted to approximately HK$12,000,000. The cruise business has been operating since October 2005. It recorded a steady turnover and profit contribution to the Group.

FINANCIAL REVIEW

For the financial year ended 30 June 2006, the Group recorded a turnover of approximately HK$103,134,000 (2005: HK$77,009,000), increase 33.9% compared to the previous year. Profit attributable to shareholders was HK$7,147,000 (2005: loss of HK$11,353,000).

CAPITAL STRUCTURE

As at 30 June 2006, the total issued share capital of the Company was HK$247,952,600 divided into 12,397,630,000 ordinary shares of HK$0.02 each.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

The Group had net current assets of HK$30,087,000 as at 30 June 2006. Total bank and other borrowings amounted to HK$2,092,000 as at 30 June 2006. The total equity of the Group as at year end was HK$240,716,000. The gearing ratio, calculated on the basis of total liabilities over total shareholders' funds as at 30 June 2006, was approximately 47%.

PLEDGE OF GROUP'S ASSETS

As at 30 June 2006, the leasehold land and buildings of a Group's subsidiary with carrying amount of HK$5,438,000 were pledged to a bank for banking facilities. A subsidiary's bank deposits of HK$4,451,000 had been pledged to secure general banking facilities granted to the subsidiary.

CONTINGENT LIABILITIES

As at 30 June 2006, certain Hong Kong employees have achieved the required number of years of service to the Group and the possible future long service payment to such employees amounted to HK$62,389 (2005: HK$1,572,000).

On 1 September 2004, a writ of summons and statement of claim was made by The Center (49) Limited against the Company in respect of the office previously rented by the Group. The claim is for a sum of approximately HK$3.3 million together with interest and cost. In the opinion of the directors, the amount claimed is unreasonable. The Group would vigorously contest against such claim. After obtaining legal advice, a provision of approximately HK$1.6 million has been made in the financial statements for the year ended 30 June 2004. During the year ended 30 June 2006, there has been no significant progress. As at the date of approval of these financial statements, the case is still pending for hearing.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES AND RELATED HEDGES

As the Group's transactions are mostly settled by Hong Kong dollars, the exposure to foreign exchange fluctuation is minimal, therefore no use of financial instruments for hedging purpose is considered necessary.

As at 30 June 2006, the Group did not have any foreign currency investments which have been hedged by currency borrowings and other hedging instruments.

EMPLOYEES

The Group employs approximately 70 staff in Hong Kong. Total staff costs for the year under review amounted to approximately HK$11,355,000. The Group's remuneration packages are generally structured by reference to market terms and individual merit. Salaries are normally reviewed on an annual basis based on performance appraisals and other relevant factors.

The Company maintains a share option scheme under which share options may be granted to certain eligible directors and full-time employees.

DISPOSAL OF SUBSIDIARY AND JOINT VENTURE

Details of the disposal of subsidiary and joint venture during the year are set out in Notes 40 and 23 to the financial statements of the Company's annual report for the year 2006. During the year, the Group did not have any significant investment or material acquisition.

(C) For the year ended 30 June 2007

BUSINESS OVERVIEW

The audited net profit of the Group for the year ended 30 June 2007 amounted to HK$9,391,000 (2006: HK$9,603,000).

The Board is at all times identifying suitable projects and/or investments that would be reasonably expected to generate profits and/or have potential for capital appreciation. Should they be materialized, the consideration for such projects and/or investments would be satisfied by means of the issue of new ordinary shares of the Company and/or by being granted new and/or additional banking facilities.

The Company had no major acquisition during the year 2007.

MANUFACTURING AND TRADING OF ELECTRICAL EQUIPMENTS AND PROVISION OF ELECTRICAL ENGINEERING AND CONTRACTING SERVICES

For the year ended 30 June 2007, the Group recorded a turnover of HK$93,959,000 (2006: HK$76,134,000) in respect of the manufacturing and the trading of electrical equipments and the provision of electrical engineering and contracting services. The Group is adopting progressive strategy to expand its market share. Turnover of such business operations increased by approximately 23% as compared with those of last year and the gross profit increased by 12%.

CRUISE BUSINESS

During the year under review, cruise business has contributed a principal income to the Group. Turnover for the leasing of the cruise ship was recorded approximately HK$36,000,000 (2006: HK$27,000,000), which accounted for approximately 28% of the Group's total turnover. Segment results amounted to approximately HK$18,138,000 (2006: HK$11,996,000). The cruise business has been operating since October 2005. It recorded a steady turnover and profit contribution to the Group.

FINANCIAL REVIEW

For the financial year ended 30 June 2007, the Group recorded a turnover of approximately HK$129,959,000 (2006: HK$103,134,000), an increase of 26% compared to the previous year. Profit attributable to shareholders was HK$4,645,000 (2006: HK$7,147,000).

CAPITAL STRUCTURE

At 30 June 2007, the total issued share capital of the Company was HK$287,953,000 divided into 1,439,763,000 ordinary shares of HK$0.2 each.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

The Group had net current assets of HK$103,562,000 at 30 June 2007 (2006: HK$30,087,000). Total bank and other borrowings amounted to HK$374,000 at 30 June 2007 (2006: HK$2,092,000). The total equity of the Group at year end was HK$296,196,000 (2006: HK$240,716,000). The gearing ratio, calculated on the basis of total liabilities over total shareholders' funds at 30 June 2007, was approximately 53% (2006: 47%).

PLEDGE OF GROUP'S ASSETS

At 30 June 2007, no leasehold land and buildings in Hong Kong of the Group were pledged to secure the bank facilities (2006: HK$5,438,000) and fixed deposits of approximately HK$68,000 (2006: HK$4,451,000) was pledged to secure banking facilities.

CONTINGENT LIABILITIES

On 1 September 2004, a writ of summons and statement of claim was made by The Center (49) Limited against the Company in respect of the office previously rented by the Group. The claim is for a sum of approximately HK$3.3 million together with interest and cost. In the opinion of the directors, the amount claimed is unreasonable. The Group would vigorously contest against such claim. After obtaining legal advice, a provision of approximately HK$1.6 million has been made in the financial statements for the year ended 30 June 2004. During the year ended 30 June 2007, there has been no significant progress. At the date of approval of these financial statements, the case is still pending for hearing.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES AND RELATED HEDGES

As the Group's transactions are mostly settled by Hong Kong dollars, the exposure to foreign exchange fluctuation is minimal, therefore no use of financial instruments for hedging purpose is considered necessary.

At 30 June 2007, the Group did not have any foreign currency investments which have been hedged by currency borrowings and other hedging instruments.

EMPLOYEES

The Group employs approximately 92 staff in Hong Kong and their remuneration packages are generally structured by reference to market terms and individual merit. Salaries are normally reviewed on an annual basis based on performance appraisals and other relevant factors. The total staff costs for the year under review amounted to approximately HK$15,654,000.

(D) Future Financial and Trading Prospects of the Group

The economy of Macau is becoming more internationalised. The rapid growth of its economy secured significant investments from many multinational organisations for the successful development of many new hotel/resort and casino in Macau. Together with the expansion of China's Individual Visit Scheme touting travelers from more mainland cities to visit the SAR, the Macau government recently recorded the highest record of gaming revenue ever exceeding 17.9 billion MOP in the first quarter of year 2007. For the Group, it has been actively growing its business model and building a stronger presence in Macau. The Group has recently entered into two strategic acquisitions of VIP gaming rooms business that being the Chengdu VIP Salon in Sands Macau and Neptuno VIP club at Galaxy Casino in the Star World hotel during the year. The Group believes that these lucrative acquisitions will broaden the Group's revenue sources and provide a stable income stream in the near future. Recently, Macau's gross gaming revenues already surpassed that of Las Vegas, Nevada in the United States and has become one of the largest gaming destinations in the world. Looking ahead, based on the most updated figures, the Group's profit is expected to be higher at the beginning of next year, significantly driven by the further expansion of our core business in the gaming industry.

During the current year, apart from fortifying our diversified cruise service platform, the Group continued to strengthen corporate governance by increasing the number of executive directors. Through global recruitment, the Group recently appointed several new members to the Board thereby strengthening further its senior management team with those who possess varied international background in the gambling and entertainment industry. The Group will also continue to expedite the reform of human resources management, and foster a strong corporate culture that embrace the Group's core values, thereby generating long term and increasing value for shareholders.

On the other hand, the manufacturing and trading of electrical equipment and the provision of electrical engineering and contracting services remain difficult due to the weaker domestic market and decline in bidding price of many projects. The Group will maintain a prudent policy in this sector and as such it anticipates a gloomy outlook unless it experiences a strong revival of the construction industry.

Currently, the Group has succeeded in reigniting business growth. Effort to secure more acquisitions within this industry is the long term strategy of achieving sustainable growth and becoming a bellwether of securing VIP room entrepreneurship in Macau casinos.

In the coming year, the Group will continue to explore other opportunities on the fast growing island of Macau. Based on the established business, strong foundation and focused approach, the Group will continue to expand the service platform to provide its customers with quality services and products.

Macau, generally known as Asia's Las Vegas, has currently outperformed Las Vegas in terms of its entertainment and gaming business. Besides rapid economic growth in Asia districts, 1 billion people visit this paradise, attracted by Macau's gaming business on the back of China's growing economy and liberal tourism.

After overtaking Las Vegas as the world's top gaming destination in 2006, Macau continues to experience the fastest growth in gaming revenues as well as tourist arrivals. Macau, instead of just imitating Las Vegas, comes up with its uniqueness and attractiveness for leisure travellers.

In year 2006, gaming VIP rooms contributed about 64% of the total gaming revenue in Macau. Our business focuses mainly on VIP gaming room market recently. With our extensive understanding of Macau gaming industry and the fabulous goodwill of Venetian Macau and its first class entertainment facilities, these will help to retain high rollers from PRC and Far East Asia.

Looking back at all of our previous investments in the gaming promotion business in Macau, our management is satisfied with their performance conducted at the Chengdu VIP Club at Sands Macau and Neptuno VIP Club at Galaxy Casino of Star World Hotel. Our Company will keep good rapport with these gaming promoter in Macau and may expand our investments in order to secure a strong foothold in intermediary gaming business and ultimately bring in a higher return for our shareholders.

(E) Profit Forest and Sky Advantage

Profit Forest was incorporated on 6 July 2007 and is an investment holding company. Sky Advantage was incorporated on 18 September 2007 and is an investment holding company. The major assets of Profit Forest will be the Hao Cai Profit. Other than the Hao Cai Profit Agreement, Profit Forest does not have any assets or liabilities as at 30 November 2007. The main asset of Sky Advantage will be the Neptune Ouro Profit. Other than the Neptune Ouro Profit Agreement, Sky Advantage does not have any assets or liabilities as at the 30 November 2007.

Below is the management discussion and analysis on the performance of Profit Forest and Sky Advantage since its incorporation to 30 November 2007:

BUSINESS REVIEW

On 16 November 2007, Profit Forest as a purchaser entered into the Hao Cai Profit Agreement with Ms. Lei as a vendor and Hao Cai, pursuant to which Ms. Lei has agreed to sell, as beneficial owner, and/or assign to Profit Forest absolutely her right, title and interest and benefits in and to 100% of the Hao Cai Profit at a consideration of HK$1.00. The Hao Cai Profit Agreement shall be completed on or before 30 April 2008.

On 16 November 2007, Sky Advantage as a purchaser entered into the Neptune Ouro Profit Agreement with Ms. Luu as a vendor and Neptune Ouro, pursuant to which Ms. Luu has agreed to sell, as beneficial owner, and/or assign to Sky Advantage absolutely her right, title and interest and benefits in and to 100% of the Neptune Ouro Profit at a consideration of HK$1.00. The Neptune Ouro Profit Agreement should be completed on or before 30 April 2008.

The business of Profit Forest and Sky Advantage are booming and thriving due to rising in number of tourists from mainland China to Macau. Their seasoned experience and insight in the Macau gaming industry, Profit Forest and Sky Advantage have secured a prominent position in cut throat competition environment. This is exactly what the Company see the niche and need of creating synergy potential that could strengthen strategies to achieve our goal. So far, Venetian Casino is behemoth tourism attraction touting longer stay by customers, experiencing longer turnover cycle of non-negotiable chips resulting to their need to shore up more working capital for future business expansion. Hao Cai and Neptune Ouro by mid of November, 2007 assigned to Profit Forest and Sky Advantage absolutely the Hao Cai Profit and Neptune Ouro Profit respectively.

The astounding performance starting from the Venetian grand open up until now in Rolling Turnover approximately HK$10 billion for the month of September and in monthly average approximately HK$9 billion from October to December 2007 give the Company a steadfast confidence in this industry. While January is supposed to be a slow month due to most of high rollers going on vacation for Chinese New Year but it is expected that business would again pick up again in March.

CASHFLOW

For the period under review, Profit Forest and Sky Advantage had a net cash outflow of HK$1.00 each which arose due to the acquisition of the profit stream of Hao Cai Profit and Neptune Ouro Profit.

CAPITAL STRUCTURE, FINANCIAL RESOURCES AND LIQUIDITY

General

As far as the liquidity and financial resources of Profit Forest and Sky Advantage are concerned, as an investment holding company, there is no specific minimum capital requirement nor any other financial resources requirement. The balance sheet will be dominated by the amount due from Hao Cai Profit and Neptune Ouro Profit which is the profit stream attributable to Profit Forest and Sky Advantage respectively on the asset side and the reserves on the equity side. There are no material liability, including borrowing for both companies. Moreover, their financial resources will not be affected by any seasonality.

Borrowing and banking facilities

As at 30 November 2007, Profit Forest and Sky Advantage had no borrowing or bank facilities.

Net current liabilities

As at 30 November 2007, Profit Forest and Sky Advantage both had net current liabilities. HK$5,382 due to director.

Capital Structure

During the period under review, Profit Forest and Sky Advantage both had issued 100 ordinary shares of US$1.00 each.

Charges on assets

As at 30 November 2007, Profit Forest and Sky Advantage had no charges on its assets.

Capital commitments

As at 30 November 2007, Profit Forest and Sky Advantage had no material capital commitments.

Remuneration policies and employee information

Profit Forest and Sky Advantage had no full time employees and no staff costs were paid or payable during the period under review.

Significant investments and material acquisition

In relation to the significant investments and material acquisition of Profit Forest and Sky Advantage, please refer to the information set out at page under the heading "Business review and Results" in this Appendix.

Gearing ratio

As at 30 November 2007, the gearing ratio of Profit Forest and Sky Advantage, expressed as a percentage of total borrowings over total assets, were nil.

Foreign exchange exposure

Profit Forest and Sky Advantage did not have any hedging activities against its foreign exchange exposure nor did they adopt any hedging policies as the majority of their transactions, assets and liabilities are denominated in HK$.

Contingent liabilities

As at 30 November 2007, Profit Forest and Sky Advantage did not have any contingent liabilities.

Best Max

Best Max was incorporated on 10 January 2008 and is an investment holding company. The main asset of Best Max will be the Star Profit. Other than the Star Profit Agreement, Best Max does not have any assets or liabilities as at the Latest Practicable Date.

Below is the management discussion and analysis on the performance of Best Max since its date of incorporation to 30 June 2008.

Business Review

On 22 June 2008, Best Max as a purchaser entered into the Star Profit Agreement with Mr. Choi as a vendor and Lucky Star, pursuant to which Mr. Choi agreed to sell, as beneficial owner, and/or assign to Best Max absolutely his right, title and interest and benefits in and to 100% of the Star Profit at a consideration of HK$1.00. The Star Profit Agreement shall be completed on or before 31 December 2008.

The limitation of travel quota to Macau by the PRC government may dampen the mass market in the short term but may not have significant effect on VIP market in the long run. Best Max, which operates Lucky Star, a gambling promoter reached a deal with Galaxy Entertainment Group to provide customers for as many as up to 100 high roller gambling tables at Galaxy's flagship StarWorld Casino in Macau. The customer base of Lucky Star is divided into two thirds from different provinces from the PRC and one third from South East Asia and the Middle East.

For spearheading, Macau is still one of the world's hottest gambling markets in Asian -Pacific Region, which is forecast to grow on a year to year basis because it is the only part of China where gambling is legal. Differentiation is a key success of this promoter that we can see in its market positioning and providing excellent service to customers.

Cashflow

For the period under review, Best Max had a net cash outflow of HK$1.00 each which arose due to the acquisition of the profit stream of Star Profit.

CAPITAL STRUCTURE, FINANCIAL RESOURCES AND LIQUIDITY

General

As far as the liquidity and financial resources of Best Max are concerned, as an investment holding company, there is no specific minimum capital requirement nor any other financial resources requirement. The balance sheet will be dominated by the amount due from Star Profit which is the profit stream attributable to Best Max respectively on the asset side and the reserves on the equity side. There are no material liability, including borrowing for both companies. Moreover, their financial resources will not be affected by any seasonality.

Borrowing and banking facilities

As at 30 June 2008, Best Max had no borrowing or bank facilities.

Net current liabilities

As at 30 June 2008, Best Max both had net current liabilities of HK$5,382 due to director.

Capital Structure

During the period under review, Best Max both had issued 100 ordinary shares of US$1.00 each.

Charges on assets

As at 30 June 2008, Best Max had no charges on its assets.

Capital commitments

As at 30 June 2008, Best Max had no material capital commitments.

Remuneration policies and employee information

Best Max had no full time employees and no staff costs were paid or payable during the period under review.

Significant investments and material acquisition

In relation to the significant investments and material acquisition of Best Max, please refer to the information set out at page under the heading "Business review and Results" in this Appendix.

Gearing ratio

As at 30 June 2008, the gearing ratio of Best Max, expressed as a percentage of total borrowings over total assets, were nil.

Foreign exchange exposure

Best Max did not have any hedging activities against its foreign exchange exposure nor did they adopt any hedging policies as the majority of their transactions, assets and liabilities are denominated in HK$.

Contingent liabilities

As at 30 June 2008, Best Max did not have any contingent liabilities.

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from the independent reporting accountants, HLB Hodgson Impey Cheng, Chartered Accountants, Certified Public Accountants, Hong Kong.

HLB 國衛會計師事務所
Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

31st Floor
Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

26 September 2008

The Directors
Neptune Group Limited
Units 1205-06, 12/F.
Office Tower Two
The Harbourfront
18-22 Tak Fung Street
Hunghom, Kowloon
HONG KONG

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information regarding Best Max Enterprises Limited ("Best Max"), for the period from 10 January 2008 (date of incorporation) to 30 June 2008 (the "Relevant Period") (the "Financial Information"), for inclusion in the circular of Neptune Group Limited (the "Company") dated 26 September 2008 (the "Circular") in connection with the share acquisition agreement dated 22 June 2008 (the "Share Acquisition Agreement") and the deed of variation dated 27 June 2008 (the "Deed of Variation") entered into between Rich Pearl Enterprises Limited ("Rich Pearl"), a wholly-owned subsidiary of the Company, and Mr. Choi Tai Wai ("Mr. Choi") pursuant to which Rich Pearl would acquire 100% of the total issued share capital of Best Max from Mr. Choi at an aggregate consideration of HK$4,320,000,000 (the "Consideration") (collectively refer as the "Acquisition"). The Consideration for the Acquisition shall be satisfied by Rich Pearl (1) paying a refundable deposit in a sum of HK$50,000,000 on the date of the Share Acquisition Agreement and paying HK$275,000,000 in cash upon completion of the Acquisition in accordance with the terms and conditions of the Share Acquisition Agreement (the "Completion"); (2) procuring the Company to issue a promissory note in a principal amount of HK$1,200,000,000 to Mr. Choi upon Completion (the "Promissory Note"); and (3) subject to a cap of 19.99% of the issued share capital of the Company from time to time, procuring the Company to allot and issue the relevant number of consideration shares at an issue price of HK$0.45 per share ("Consideration Share"), credited as fully paid, for the rest of the consideration in a sum of HK$2,795,000,000 upon the Completion.

Best Max is a company incorporated in the British Virgin Islands with limited liability on 10 January 2008. The principal activity of Best Max is investments in sharing the profits stream from entertainment related business. Best Max is wholly owned by Mr. Choi. At 30 June 2008, the major asset of Best Max is Star Profit (as defined herein).

On 22nd June, 2008, Best Max entered into an agreement with Mr. Choi as a vendor and Lucky Star Entretenimento Sociedade Unipessoal Limitada ("Lucky Star"), pursuant to which Mr. Choi has agreed to sell, as beneficial owner, and/or assign to Best Max absolutely his right, title and interest and benefits in and to 100% of the 0.45% of the rolling turnover generated by Lucky Star and/or its customers at Level 3 at the Star World Hotel in Macau (the "Star Profit") pursuant to the star junket representative agreement at a consideration of HK$1.00 (the "Star Profit Agreement").

Best Max adopts 30 June as its financial year end date. No audited financial statements of Best Max have been prepared since its incorporation date.

BASIS OF PREPARATION

The Financial Information has been prepared by the director of Best Max based on the financial statements for the Relevant Period, on the basis as set out in Note 2 below. The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards which also include Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and accounting principles generally accepted in Hong Kong.

DIRECTOR'S RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The director of Best Max is responsible for the preparation and the true and fair presentation of the Financial Information in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and the true and fair presentation of the Financial Information that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. The directors of the Company are responsible for the contents of the Circular in which this report is included.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on the Financial Information based on our audit. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the Financial Information is free from material misstatement. We have also carried out additional procedures as necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of the risks of material misstatement of the Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation and true and fair presentation of the Financial Information in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the director, as well as evaluating the overall presentation of the Financial Information.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, for the purpose of this report, the Financial Information gives a true and fair view of the state of affairs of Best Max as at 30 June 2008 and of the results and cash flows of Best Max for the Relevant Period in accordance with Hong Kong Financial Reporting Standards.

MATERIAL UNCERTAINTY CONCERNING GOING CONCERN BASIS OF ACCOUNTING

Without qualifying our opinion, we draw attention to Note 2 in the Financial Information which indicates that Best Max incurred accumulated losses of HK$6,162 and net liabilities of HK$5,382 as at 30 June 2008. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty which may cast significant doubt about Best Max's ability to continue as a going concern.

A. FINANCIAL INFORMATION OF BEST MAX

Balance sheet

	Notes	At 30 June 2008 HK$
ASSET		
Non-current asset		
Intangible asset	*5*	1
Total asset		1
EQUITY		
Capital and reserves attributable to the equity holder of Best Max		
Share capital	*6*	780
Accumulated loss		(6,162)
Total equity		(5,382)
LIABILITY		
Current liability		
Amount due to a director	*7*	5,383
Total equity and liability		1
Net current liability		(5,383)
Total asset less current liability		(5,382)

The accompanying notes form an integral part of the Financial Information.

Income Statement

	Notes	For the period from 10 January 2008 (date of incorporation) to 30 June 2008 HK$
Turnover	8	–
Administrative expenses		(6,162)
Loss from operating activities	9	(6,162)
Taxation	10	–
Loss for the period		(6,162)
Attributable to:		
Equity holder of Best Max		(6,162)
Loss per share	11	
Basic and diluted		(62)

The accompanying notes form an integral part of the Financial Information.

Statement of Changes in Equity

	Share Capital *HK$*	**Accumulated Loss** *HK$*	**Total** *HK$*
At 10 January 2008	780	–	780
Loss for the period	–	(6,162)	(6,162)
At 30 June 2008	780	(6,162)	(5,382)

The accompanying notes form an integral part of the Financial Information.

Cash Flow Statement

	For the period from 10 January 2008 (date of incorporation) to 30 June 2008
	HK$
Cash flows from operating activities	
Loss before taxation	(6,162)
Operating loss before movements in working capital	(6,162)
Increase in amount due to a director	5,383
Net cash used in operating activities	(779)
Cash flows from investing activities	
Payment to acquire an intangible asset	(1)
Net cash used in investing activities	(1)
Cash flows from financing activities	
Issue of shares	780
Net cash generated from financing activities	780
Increase in cash and cash equivalents	–
Cash and cash equivalents at the beginning of the period	–
Cash and cash equivalents at the end of the period	–
Analysis of the balances of cash and cash equivalents	
Cash and bank balances	–

The accompanying notes form an integral part of the Financial Information.

Notes to Financial Information

1. GENERAL INFORMATION

The registered office of Best Max is at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, the British Virgin Islands. Best Max was incorporated in the British Virgin Islands as an exempted company with limited liability. Best Max is principally engaged in sharing the profit streams from the entertainment related business.

The financial statements are presented in Hong Kong dollars, which is the functional currency of Best Max.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards issued by the HKICPA, and accounting principles generally accepted in Hong Kong ("HKFRSs") (which also include Hong Kong Accounting Standards and Interpretations) and the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as applicable to Accountants' Reports including in the listing documents of circulars. The accounting policies of Best Max are materially consistent with the Company's accounting policies. The measurement basis used in the preparation of the Financial Information is historical cost convention except for financial assets and financial liabilities have been carried at fair value.

At 30 June 2008, Best Max had net current liability of HK$5,383. Mr. Choi, the director of Best Max, has confirmed that, it is his intention to provide continuing financial support to Best Max, subject to the condition that the relationship between Mr. Choi and Best Max does not change, so as to enable it to meet its liabilities as and when they fall due and to continue its business for the foreseeable future. Mr. Choi believes that Best Max will continue as going concern. Consequently, the Financial Information has been prepared on a going concern basis.

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

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

Best Max has not yet early applied the following new standards, amendments and interpretations that have been issued but are not yet effective. Best Max is not yet in a position to determine whether these standards, amendments and interpretations will have significant impact on how the results of operations and financial position are prepared and presented. These standards, amendments and interpretations may result in changes in the future as to how the results and financial position are prepared and presented.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKAS 32 and 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKFRS 2 (Amendment)	Share-Based Payments[1]
HKFRS 3	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[3]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate[1]
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation[4]

[1] Effective for annual periods beginning on or after 1 January 2009

[2] Effective for annual periods beginning on or after 1 July 2009

[3] Effective for annual periods beginning on or after 1 July 2008

[4] Effective for annual periods beginning on or after 1 October 2008

Best Max expects that the adoption of the above new standards, amendments and interpretations will not have any significant impact on Best Max's financial statements in the period of initial application.

The accounting policies set out below have been applied consistently to the Relevant Period presented in this Financial Information.

(a) Foreign currencies translation

(i) Functional and presentation currency

Items included in the financial statements of Best Max are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in HK dollars, which is Best Max's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

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

(b) Taxation

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

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes income statement items that are never taxable or deductible.

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investment in subsidiaries and associates, except where Best Max is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

(c) Related party transactions

Parties are considered to be related to Best Max if:

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

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of Best Max or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, joint-controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of the employees of Best Max, of any entity that is related party of Best Max.

A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

(d) Provisions

Provisions are recognised when Best Max has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligations.

(e) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of Best Max. It can also be a present obligation arising from past events that is not recognized because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the Financial Information. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of Best Max. Contingent assets are not recognised but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(f) Impairment losses (other than goodwill)

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

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

(g) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

3. FINANCIAL RISK MANAGEMENT

(a) Financial risk management objectives and policies

Best Max's major financial instruments include amount due to a director. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Foreign exchange risk

Best Max is not exposed to significant foreign exchange risk arising from various currency exposures, primarily with respect to Hong Kong dollars.

(ii) Price risk

Best Max is not exposed to significant price risk. The management monitors the price movements and takes appropriate actions when it is required.

Credit risk

Best Max is not exposed to significant credit risk.

Liquidity risk

Best Max manages its liquidity risk by regularly monitoring current and expected liquidity requirements and ensuring sufficient liquid cash and intended lines of funding from major financial institutions to meet its liquidity requirements in the short and long term.

Cash flow and fair value interest rate risk

As Best Max has no significant interest-bearing assets and liabilities, it is not exposed to significant cash flow and fair value interest rate risk.

(b) Capital risk management

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

In order to maintain or adjust the capital structure, Best Max may adjust the amount of dividends paid to the shareholder, return capital to the shareholder, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, Best Max monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total debt (including amount due to director, as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as equity, as shown in the balance sheet, plus net debt.

Best Max's strategy is to maintain a reasonable gearing ratio. The gearing ratio at 30 June 2008 was as follows:

	As at 30 June 2008
	HK$
Total debt	5,383
Less: Cash and cash equivalents	–
Net debt	5,383
Total equity	(5,382)
Total capital	1
Gearing ratio	5,383

Fair value of financial instruments

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

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices, respectively; and

- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions.

The directors of Best Max consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

4. CRITICAL ACCOUNTING ESTIMATE AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

Best Max makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of intangible asset

Best Max tests annually whether the intangible asset has suffered any impairment. The recoverable amount of an intangible asset or a cash generating unit is determined based on value-in-use calculations which require the use of assumptions and estimates.

5. INTANGIBLE ASSET

The intangible asset represents historical cost to acquire the right for the Star Profit from Mr. Choi and Lucky Star pursuant to the Star Profit Agreement at a consideration of HK$1.00.

The intangible asset is not subject to amortisation as the right has an indefinite useful life and is carried at cost less accumulated impairment losses.

6. SHARE CAPITAL

	Number of shares	Share capital	
		US$	*HK$*
Authorised:			
Ordinary shares at par value	50,000	50,000	390,000
Issued and fully paid:			
At 10 January 2008 and 30 June 2008	100	100	780

7. AMOUNT DUE TO A DIRECTOR

The amount due to a director is unsecured, interest free and repayable on demand.

8. TURNOVER AND SEGMENT INFORMATION

Best Max did not generate any turnover during the Relevant Period. According to HKAS 14 "Segment Reporting", no business and geographical segmental information were presented.

9. LOSS FROM OPERATING ACTIVITIES

No director's emoluments were paid by Best Max during the Relevant Period.

No auditors' remuneration and employees' emoluments were paid by Best Max during the Relevant Period.

10. TAXATION

No provision for profits tax has been made as Best Max has no assessable profit subject to taxation for the Relevant Period.

There are no material unprovided deferred tax assets and liabilities as at the balance sheet date.

11. LOSS PER SHARE

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

	At 30 June 2008
	HK$
Loss attributable to the equity holders of Best Max	6,162

	At 30 June 2008
	Number of shares
Number of issued ordinary shares	100

Basic and diluted loss per share for the period ended 30 June 2008 have been presented in a single line as there were no any dilutive events during the Relevant Period.

12. EMPLOYEE BENEFITS EXPENSES

(a) Director's emolument for the Relevant Period

	Fee	Salaries, allowance and bonus	Total
	HK$	*HK$*	*HK$*
Mr. Choi Tai Wai (appointed on 10 January 2008)	–	–	–

(b) Employees' emolument

No staff was employed by Best Max during the Relevant Period.

13. CONTINGENT LIABILITIES AND CAPITAL COMMITMENT

Best Max did not have any significant contingent liabilities and capital commitment as at 30 June 2008.

14. SUBSEQUENT EVENTS

No significant events took place subsequent to 30 June 2008.

B. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for Best Max in respect of any period subsequent to 30 June 2008.

Yours faithfully,

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants
Hong Kong

A. SUMMARY OF FINANCIAL INFORMATION

Consolidated Income Statement
For the year ended 30 June 2007

	Notes	**2007** *HK$'000*	**2006** *HK$'000*	**2005** *HK$'000* *(Restated)*
Turnover	*7*	129,959	103,134	77,009
Cost of sales		(99,085)	(79,743)	(67,198)
Gross profit		30,874	23,391	9,811
Other revenue	*7*	4,952	4,112	1,432
Other income	*8*	1,365	948	500
Distribution costs		(1,347)	(1,174)	(1,462)
Administrative expenses		(17,995)	(15,401)	(20,760)
Equity-settled share-based payments expenses	*28*	(6,068)	–	–
Profit/(loss) from operating activities	*8*	11,781	11,876	(10,479)
Finance costs	*9*	(1,593)	(1,226)	(129)
Profit/(loss) before taxation		10,188	10,650	(10,608)
Taxation	*12*	(797)	(1,047)	(366)
Net profit/(loss) for the year		9,391	9,603	(10,974)
Attributable to				
– Minority interests		4,746	2,456	379
– Equity holders of the Company	*14*	4,645	7,147	(11,353)
Net profit/(loss) for the year		9,391	9,603	(10,974)
Earnings/(loss) per share attributable to equity holders of the Company	*15*			
– Basic		0.34 cents	0.58 cents	(0.11) cent
– Diluted		N/A	N/A	N/A

Consolidated Balance Sheet

At 30 June 2007

	Notes	2007 HK$'000	2006 HK$'000	2005 HK$'000 (Restated)
ASSETS				
Non-current assets				
Property, plant and equipment	16	161,853	179,872	101,053
Investment properties	17	28,550	28,400	27,700
Prepaid land premiums	18	2,579	2,643	2,714
Development costs		–	–	330
Goodwill	20	45	45	45
		193,027	210,960	131,842
Current assets				
Inventories	22	17,310	16,355	14,397
Trade and other receivables	23	50,161	34,685	24,377
Loan receivables	24	28,000	–	–
Amount due from a related company	25	710	710	830
Financial assets at fair value through profit or loss	26	1,782	567	1,257
Pledged bank deposits		68	4,451	3,000
Cash at securities companies		38,526	54,419	94,138
Cash and bank balances		122,840	32,374	16,213
		259,397	143,561	154,212
Total assets		452,424	354,521	286,054
EQUITY				
Capital and reserves attributable to the Company's equity holders				
Share capital	28	287,953	247,953	247,953
Reserves	29	(7,345)	(18,079)	(25,503)
		280,608	229,874	222,450
Minority interests		15,588	10,842	8,386
Total equity		296,196	240,716	230,836

	Notes	2007 HK$'000	2006 HK$'000	2005 HK$'000 (Restated)
LIABILITIES				
Non-current liability				
Bank and other borrowings		–	–	1,627
Deferred tax liabilities	12	393	331	–
		393	331	1,627
Current liabilities				
Bank and other borrowings	30	374	2,092	771
Trade and other payables	31	41,258	39,065	20,983
Deposits received	32	81,813	–	–
Convertible notes	33	–	39,765	–
Amount due to a minority shareholder	34	29,100	29,100	29,100
Tax payable		3,290	3,452	2,737
		155,835	113,474	53,591
Total liabilities		156,228	113,805	55,218
Total equity and liabilities		452,424	354,521	286,054
Net current assets		103,562	30,087	100,621
Total assets less current liabilities		296,589	241,047	232,463

B. AUDITED FINANCIAL STATEMENTS

Consolidated Income Statement

For the year ended 30 June 2007

	Notes	2007 HK$'000	2006 HK$'000
Turnover	7	129,959	103,134
Cost of sales		(99,085)	(79,743)
Gross profit		30,874	23,391
Other revenue	7	4,952	4,112
Other income	8	1,365	948
Distribution costs		(1,347)	(1,174)
Administrative expenses		(17,995)	(15,401)
Equity-settled share-based payments expenses	28	(6,068)	–
Profit from operating activities	8	11,781	11,876
Finance costs	9	(1,593)	(1,226)
Profit before taxation		10,188	10,650
Taxation	12	(797)	(1,047)
Net profit for the year		9,391	9,603
Attributable to			
– Minority interests		4,746	2,456
– Equity holders of the Company	14	4,645	7,147
Net profit for the year		9,391	9,603
Earnings per share attributable to equity holders of the Company	15		
– Basic and diluted		0.34 cents	0.58 cents

Consolidated Balance Sheet

At 30 June 2007

	Notes	2007 HK$'000	2006 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	161,853	179,872
Investment properties	17	28,550	28,400
Prepaid land premiums	18	2,579	2,643
Goodwill	20	45	45
		193,027	210,960
Current assets			
Inventories	22	17,310	16,355
Trade and other receivables	23	50,161	34,685
Loan receivables	24	28,000	–
Amount due from a related company	25	710	710
Financial assets at fair value through profit or loss	26	1,782	567
Pledged bank deposits		68	4,451
Cash at securities companies		38,526	54,419
Cash and bank balances		122,840	32,374
		259,397	143,561
Total assets		452,424	354,521
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	28	287,953	247,953
Reserves	29	(7,345)	(18,079)
		280,608	229,874
Minority interests		15,588	10,842
Total equity		296,196	240,716

	Notes	2007 HK$'000	2006 HK$'000
LIABILITIES			
Non-current liability			
Deferred tax liabilities	12	393	331
		393	331
Current liabilities			
Bank and other borrowings	30	374	2,092
Trade and other payables	31	41,258	39,065
Deposits received	32	81,813	–
Convertible notes	33	–	39,765
Amount due to a minority shareholder	34	29,100	29,100
Tax payable		3,290	3,452
		155,835	113,474
Total liabilities		156,228	113,805
Total equity and liabilities		452,424	354,521
Net current assets		103,562	30,087
Total assets less current liabilities		296,589	241,047

Balance Sheet

At 30 June 2007

	Notes	2007 HK$'000	2006 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	405	520
Interests in subsidiaries	21	174,707	177,874
		175,112	178,394
Current assets			
Prepayments, deposits and other receivables	23	4,060	1,604
Loan receivables	24	17,500	–
Cash at securities companies		38,522	54,418
Cash and bank balances		82,819	3,429
		142,901	59,451
Total assets		318,013	237,845
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	28	287,953	247,953
Reserves	29	(56,359)	(54,008)
Total equity		231,594	193,945
LIABILITIES			
Current liabilities			
Accruals	31	2,382	1,895
Deposits received	32	81,813	–
Convertible notes	33	–	39,765
Amount due to a subsidiary	35	2,224	2,240
		86,419	43,900
Total equity and liabilities		318,013	237,845
Net current assets		56,482	15,551
Total assets less current liabilities		231,594	193,945

Consolidated Statement of Changes in Equity

For the year ended 30 June 2007

	Equity attributable to equity holders of the Company								
	Share capital	Share premium account	Convertible notes reserve	Non-distributable reserve	Share options reserve	Accumulated losses	Sub-total	Minority interest	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 July 2005	247,953	61,454	–	2,264	–	(89,221)	222,450	8,386	230,836
Convertible notes									
– equity component	–	–	277	–	–	–	277	–	277
Net profit for the year	–	–	–	–	–	7,147	7,147	2,456	9,603
At 30 June 2006 and 1 July 2006	247,953	61,454	277	2,264	–	(82,074)	229,874	10,842	240,716
Convertible notes									
– extension	–	–	283	–	–	–	283	–	283
– redemption	40,000	298	(560)	–	–	–	39,738	–	39,738
Equity-settled share-based payments expenses	–	–	–	–	6,068	–	6,068	–	6,068
Net profit for the year	–	–	–	–	–	4,645	4,645	4,746	9,391
At 30 June 2007	287,953	61,752	–	2,264	6,068	(77,429)	280,608	15,588	296,196

Consolidated Cash Flow Statement

For the year ended 30 June 2007

	2007	2006
	HK$'000	*HK$'000*
Cash flows from operating activities		
Profit before taxation	10,188	10,650
Adjustments for:		
Interest income	(4,678)	(2,864)
Dividend income	(3)	–
Equity-settled share-based payments expenses	6,068	–
Fair value gain on financial assets at fair value through profit or loss	(1,215)	(155)
Fair value gain on investment properties	(150)	(700)
Gain on disposal of a subsidiary	–	(53)
Gain on disposal of financial asset at fair value through profit or loss	–	(582)
Gain on disposal of property, plant and equipment	–	(40)
Amortisation	64	401
Depreciation	18,319	15,503
Finance costs	1,593	1,226
Loss on disposal of property, plant and equipment	–	198
Impairment loss recognised on obsolescence of inventories	963	203
Impairment loss recognised in respect of trade receivables	776	–
Impairment loss recognised in respect of other receivables	477	264
Written off on trade receivables	13	–
Operating profit before working capital changes	32,415	24,051
Increase in inventories	(955)	(2,161)
Increase in trade and other receivables	(16,742)	(10,572)
Increase in loan receivables	(28,000)	–
Decrease in amount due from a related company	–	120
Increase in trade and other payables	2,193	17,253
Cash (used in)/generated from operations	(11,089)	28,691
Interest received	3,366	2,864
Hong Kong Profits Tax paid	(896)	–
Net cash (outflow)/inflow from operating activities	(8,619)	31,555

	2007	2006
	HK$'000	*HK$'000*
Cash flows from investing activities		
Payments to acquire property, plant and equipment	(300)	(94,769)
Dividend received	3	2
Proceed from disposal of property, plant and equipment	–	265
Cash effect of disposal of a subsidiary	–	(53)
Proceeds from disposal of securities	–	1,427
Decrease/(increase) in pledged bank deposits	4,383	(1,451)
Net cash inflow/(outflow) from investing activities	4,086	(94,579)
Cash flows from financing activities		
Deposit received from open offer	81,813	–
Proceeds from issue of convertible notes	–	40,000
Issue cost of convertible notes	–	(100)
Repayment of loans	(1,564)	(500)
Finance costs paid	(989)	(128)
Net cash inflow from financing activities	79,260	39,272
Net increase/(decrease) in cash and cash equivalents	74,727	(23,752)
Cash and cash equivalents at the beginning of the year	86,265	110,017
Cash and cash equivalents at the end of the year	160,992	86,265
Analysis of the balances of cash and cash equivalents:		
Cash and bank balances	122,840	32,374
Cash at securities companies	38,526	54,419
Bank overdrafts	(374)	(528)
	160,992	86,265

Notes to Financial Statements

For the year ended 30 June 2007

1. CORPORATE INFORMATION

The Company was incorporated in Hong Kong as a public limited company and its shares are listed on The Stock Exchange of Hong Kong Limited. The registered office and the principal place of business of the Company is located at Units 1205-06, 12/F., Office Tower Two, The Harbourfront, 18-22 Tak Fung Street, Hunghom, Kowloon, Hong Kong.

These consolidated financial statements are presented in Hong Kong Dollars (HK$), which is the functional currency of the Company.

The principal activities of the Company and its subsidiaries are leasing of the 70% owned cruise, the manufacturing and trading of electrical equipment, the provision of electrical engineering and contracting services and the trading of listed securities.

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

In the current year, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") which are either effective for accounting periods beginning on or after 1 December 2005, 1 January 2006, 1 March 2006 or 1 May 2006. The new HKFRSs adopted by the Group in the financial statements are set out as follows:

HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 (Amendment)	Net Investment in a Foreign Operation
HKAS 39 & HKFRS 4 (Amendments)	Financial Guarantee Contracts
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HK(IFRIC) – Int 4	Determining whether an Arrangement contains a Lease
HK(IFRIC) – Int 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK(IFRIC) – Int 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
HK(IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC) – Int 8	Scope of HKFRS 2
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives

The adoption of these new and revised standards and interpretation has had no material effect on these financial statements.

The Group and the Company have not yet early applied the following new standards and interpretations that have been issued but are not yet effective. The Group is not yet in a position to determine whether these standards and interpretations will have significant impact on how the results of operations and financial position are prepared and presented. These standards and interpretations may result in changes in the future as to how the results and financial position are prepared and presented.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKAS 23 (Revised)	Borrowing Costs[2]
HKFRS 7	Financial Instruments: Disclosures[1]
HKFRS 8	Operating Segments[2]
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment[3]
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions[4]
HK(IFRIC) – Int 12	Service Concession Arrangements[5]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[6]
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[5]

1 Effective for annual periods beginning on or after 1 January 2007

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

3 Effective for annual periods beginning on or after 1 November 2006

4 Effective for annual periods beginning on or after 1 March 2007

5 Effective for annual periods beginning on or after 1 January 2008

6 Effective for annual periods beginning on or after 1 July 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The measurement basis used in preparation of the financial statements is historical cost convention except for certain financial assets, financial liabilities and investment properties, which are carried at fair value.

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA and the Hong Kong Companies Ordinance.

(a) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 30 June 2007.

Where a subsidiary operates under severe restrictions which significantly impair control by the Group over its assets and operations for the foreseeable future, the Group's interest in the subsidiary is stated in the consolidated financial statements at the amount at which it would have been included under the equity method of accounting at the date on which the restrictions came into force, less provision for any subsequent impairment in value.

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

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

Minority interests representing the interests of outside shareholders in the net assets and operating results of subsidiaries.

(b) Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 Business Combinations are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell.

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

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

(c) Goodwill

Goodwill arising on acquisitions prior to 1 January 2005

Goodwill arising on an acquisition of a subsidiary or a jointly controlled entity for which the agreement date is before 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant subsidiary or the relevant jointly controlled entity at the date of acquisition.

For previously capitalised goodwill arising on acquisitions of subsidiaries, the Group has discontinued amortisation from 1 January 2005 onwards, and such goodwill (net of cumulative amortisation at 31 December 2005) is tested for impairment annually, and whenever there is an indication that the cash generating unit to which the goodwill relates may be impaired (see the accounting policy below).

Goodwill arising on acquisitions on or after 1 January 2005

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

Capitalised goodwill arising on an acquisition of a subsidiary or a jointly controlled entity is presented separately in the consolidated balance sheet.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year.

When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

(d) Subsidiaries

Subsidiaries are those entities in which the Company, directly or indirectly, controls the composition of the Board, controls more than half the voting power or holds more than half of the issued share capital.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

In the financial statements of the Company, investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received or receivable.

(e) Recognition of revenue

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

i. Sale of products is recognised when goods are delivered and title has been passed.

ii. When the outcome of a construction contract can be estimated reliably, revenue from fixed price construction contracts is recognised on the percentage of completion method, measured by reference to the percentage of revenue certified to date to estimated total contract value. When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable that the costs incurred will be recovered.

iii. Dividend income from investments is recognised when the Company's rights to receive payment has been established.

iv. Sale of securities is recognised when securities are traded on the trade day basis.

v. Interest income from bank deposit is recognised on a time apportioned basis on the principal outstanding and at the rates applicable.

vi. Services income is recognised when the services are rendered.

vii. Cruise leasing income is recognised on an accrual basis in accordance with terms of the leasing agreement.

(f) Property, plant and equipment

Buildings held for own use which are situated on leasehold land, where the fair value of the building could be measured separately from the fair value of the leasehold land at the inception. Buildings and cruise ship are shown at fair value, based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at historical cost less depreciation and impairment losses.

Depreciation is calculated on the straight line basis to write-off the cost of each items of property, plant and equipment less their estimated realisable value, if any, over their estimated useful lives at the following annual rates:

Buildings	:	Over the term of the leases
Leasehold improvement	:	20%
Furniture, fixtures and equipment	:	15% to 20%
Plant and machinery	:	15%
Motor vehicles	:	25%
Cruise ship	:	5%

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

(g) Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated Group, is classified as investment property.

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

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are performed in accordance with the guidance issued by the International Valuation Standards Committee. These valuations are reviewed annually by external valuers.

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

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

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

Changes in fair values are recognised in the income statement.

(h) Leases

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

The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

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

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see below).

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

(i) Intangible assets

Development costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight-line basis over its useful life, and carried at cost less subsequent accumulated amortisation and any accumulated impairment losses.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Impairment

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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

Intangible assets with finite useful lives are tested for impairment when there is an indication that an asset may be impaired (see the accounting policies in respect of impairment losses for tangible and intangible assets below).

(j) Financial instruments

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

Financial assets

The Group's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss has two subcategories, including financial assets held for trading and those designated as at fair value through profit or loss on initial recognition.

A financial asset other than a financial asset held for trading may be designated as at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade receivables, loan receivables, other receivables, pledged bank deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. At each balance sheet date subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed on initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Any impairment losses on available-for-sale financial assets are recognised in profit or loss. Impairment losses on available-for-sale equity investments will not reverse in profit or loss in subsequent periods. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse in subsequent periods.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at fair value through profit or loss and other financial liabilities The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss has two subcategories, including financial liabilities held for trading and those designated as at fair value through profit or loss on initial recognition.

A financial liability other than a financial liability held for trading may be designated as at fair value through profit or loss upon initial recognition if:

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

At each balance sheet date subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

Other financial liabilities

Other financial liabilities (including bank and other borrowings, trade and other payables, deposits received and amount due to a minority shareholder) are subsequently measured at amortised cost, using the effective interest method.

Convertible loan notes

Convertible loan notes issued by the Company that contain both the liability and conversion option components are classified separately into respective items on initial recognition. Conversion option will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate of similar non-convertible debts. The difference between the proceeds of the issue of the convertible loan notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the loan notes into equity, is included in equity (convertible loan notes equity reserve).

In subsequent periods, the liability component of the convertible loan notes is carried at amortised cost using the effective interest method. The equity component, represented by the option to convert the liability component into ordinary shares of the Company, will remain in convertible loan notes equity reserve until the conversion option is exercised (in which case the balance stated in convertible loan notes equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible loan notes equity reserve will be released to the retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and equity components in proportion to the allocation of the proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and amortised over the period of the convertible loan notes using the effective interest method.

Equity instruments

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

Consideration paid to reacquire the Company's own equity instruments are deducted from equity. No gain or loss is recognised in profit or loss.

Derivative financial instruments and hedging

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group designates certain derivatives as either hedges of the fair value of fixed-rate bank borrowings (fair value hedges) and hedges of highly probable forecast transactions for foreign currency exposure (cash flow hedges), or hedges of net investments in foreign operations.

Embedded derivatives

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

Derecognition

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

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

(k) Interest-bearing bank borrowings

Interests-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interests-bearing borrowings are stated at amortised cost with any different between cost and redemption value being recognised in the income statement over the period of borrowing using the effective interest method.

(l) Inventories

Inventories are stated at the lower of cost and the net realisable value. Cost, which comprises all costs of purchase and, where applicable, costs of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(m) Construction contracts

When the outcome of a construction contract can be estimated reliably, contract costs are charged to the consolidated income statement by reference to the stage of the completion of the contract activity at the balance sheet date on the same basis as the contract revenue is recognised.

When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the year in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as an amount due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as an amount due to customers for contract work. Amounts received before the related work is performed are included in the balance sheet, as a liability, as advance received. Amounts billed for work performed, but not yet paid by the customer, are included in the balance sheet within trade and other receivables.

(n) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

(o) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

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

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(1) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

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

(3) all resulting exchange differences are recognised as a separate component of equity. On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

(p) Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible.

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

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

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

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

(q) Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals (being member of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

(r) Cash and cash equivalents

Cash equivalents include cash at bank, short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

(s) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligations.

(t) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group. Contingent assets are not recognised but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(u) Retirement benefits scheme

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

(ii) Contributions to Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance and to the state-managed retirement benefits schemes for the employees of the Group's entities in the People's Republic of China (the "PRC") are recognised as an expense in the consolidated income statement as incurred.

(iii) The Group operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

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

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

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

(v) Borrowing costs

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

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

(w) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

4. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and price risk), credit risk, liquidity risk and cash flow and fair value interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

The Group operates mainly in Hong Kong, primarily with respect to the Hong Kong dollars. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

(ii) Price risk

The Group is exposed to equity securities price risk because investments held by the Group are classified on the consolidated balance sheet as financial assets at fair value through profit or loss. The Group is not exposed to commodity price risk.

(b) Credit risk

The credit risk of the Group's other financial assets, which mainly comprise trade and other receivables, loan receivables and amount due from a related company, the Group's exposure to credit risk arises from default of the other party, with a maximum exposure equal to the carrying amount of these instruments. There are no significant concentrations of credit risk within the Group in relation to the other financial assets.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities. The Group's exposure to liquidity risk is minimal.

(d) Cash flow and fair value interest rate risk

Borrowings at variable interest rates expose the Group to cash flow interest rate risk and those at fixed rate expose the Group to fair value interest rate risk.

The Group monitors the interest rate risk exposure on a continuous basis and adjusts the portfolio of borrowings where necessary.

Fair value estimation

The fair value of financial assets at fair value through profit or loss traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The nominal values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year, including trade and other receivables, trade and other payables and current borrowings are assumed to approximate their fair values.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions 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.

(i) Estimate impairment of goodwill

The Group performs annual test on whether there has been impairment of intangible assets in accordance with the accounting policy stated in note 3(c). The recoverable amounts of cash-generating units are determined based on value-in-use calculations. These calculations require the use of estimates and assumptions made by management on the future operation of the business, pre-tax discount rates, and other assumptions underlying the value-in-use calculations.

(ii) Impairment of assets

The Group tests annually whether the assets have suffered any impairment. The recoverable amount of an asset or a cash generating unit is determined based on value-in-use calculations which require the use of assumptions and estimates.

(iii) Measurement of convertible notes

On issuance of convertible notes, the fair value of the liability component is determined using a market rate for an equivalent non-convertible note and this amount is carried as current liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in the convertible notes reserve, net of transaction costs. The splitting of the liability and equity components requires an estimation of the market interest rate.

(iv) Estimate of fair value of investment properties

The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgment, the Group considers information from a variety of sources including:

(a) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;

(b) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(c) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts, and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainly in the amount and timing of the cash flows.

If information on current or recent prices of investment properties is not available, the fair values of investment properties are determined using discounted cash flow valuation techniques. The Group uses assumptions that are mainly based on market conditions existing at each balance date.

The principal assumptions underlying management's estimation of fair value are those related to: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and appropriate discount rates. These valuations are regularly compared to actual market yield data, and actual transactions by the Group and those reported by the market.

The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

The Group assesses the fair value of its investment properties based on valuation determined by qualified independent professional valuers in Hong Kong and the PRC.

(v) Estimated useful lives of property, plant and equipment

In accordance with HKAS 16, the Group estimates the useful lives of property, plant and equipment that to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the asset is acquired based on historical experience, the expected usage, wear and tear of the assets, and technical obsolescence arising from changes in the market demands or service output of the assets. The Group also performs annual reviews on whether the assumptions made on useful lives continue to be valid.

(vi) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience and selling goods of similar nature. It could change significant as a result of change in market condition. Management will reassess the estimations at the balance sheet date.

6. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

(a) the electrical equipment segment consisted of the manufacture and sale of electrical equipment;

(b) the cruise segment consisted of the leasing and management of the cruise;

(c) the listed securities segment consisted of the purchase and sale of listed securities; and

(d) the electrical engineering and contracting services segment consisted of the provision of electrical engineering and contracting services.

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

(a) Business segments

THE GROUP

2007

	Sale of electrical equipments *HK$'000*	**Cruise leasing** *HK$'000*	**Trading of listed securities** *HK$'000*	**Electrical engineering and contracting services** *HK$'000*	**Consolidated** *HK$'000*
Segment revenue:					
Sales/services to external customers	73,663	36,000	–	20,296	129,959
Segment results	16,485	18,138	–	(3,749)	30,874
Other revenue					4,952
Other income					1,365
Distribution costs	(1,347)	–	–	–	(1,347)
Administrative expenses	(6,025)	(287)	(675)	(2,060)	(9,047)
Unallocated administrative expenses					(8,948)
Equity-settled share-based payment expenses					(6,068)
Profit from operating activities					11,781
Finance costs					(1,593)
Profit before taxation					10,188
Taxation					(797)
Net profit for the year					9,391

	Sale of electrical equipments *HK$'000*	Cruise leasing *HK$'000*	Trading of listed securities *HK$'000*	Electrical engineering and contracting services *HK$'000*	Consolidated *HK$'000*
Segment assets	54,647	207,612	3,237	1,790	267,286
Unallocated assets					185,138
Total assets					452,424
Segment liabilities	11,659	116,504	4,920	4,448	137,531
Unallocated liabilities					18,697
Total liabilities					156,228
Other segment information:					
Capital expenditure	177	117	–	–	294
Unallocated amounts					6
					300
Depreciation and amortisation	398	17,862	1	–	18,261
Unallocated amounts					122
					18,383
Other non-cash expenses:					
Impairment loss recognised on obsolescence of inventories	963	–	–	–	963
Impairment loss recognised in respect of trade receivables	304	–	–	472	776
Impairment loss recognised in respect of other receivables	–	–	477	–	477
Written off on trade receivables	6	–	–	7	13

THE GROUP

2006

	Sale of electrical equipments *HK$'000*	**Cruise leasing** *HK$'000*	**Trading of listed securities** *HK$'000*	**Electrical engineering and contracting services** *HK$'000*	**Consolidated** *HK$'000*
Segment revenue:					
Sales/services to external customers	59,828	27,000	–	16,306	103,134
Segment results	10,592	11,996	–	803	23,391
Other revenue					4,112
Other income					948
Distribution costs	(1,174)	–	–	–	(1,174)
Administrative expenses	(4,981)	(1,400)	(611)	(1,313)	(8,305)
Unallocated administrative expenses					(7,096)
Profit from operating activities					11,876
Finance costs					(1,226)
Profit before taxation					10,650
Taxation					(1,047)
Net profit for the year					9,603
Segment assets	55,930	197,205	32,030	9,385	294,550
Unallocated assets					59,971
Total assets					354,521
Segment liabilities	12,737	48,625	7,839	2,909	72,110
Unallocated liabilities					41,695
Total liabilities					113,805

	Sale of electrical equipments HK$'000	Cruise leasing HK$'000	Trading of listed securities HK$'000	Electrical engineering and contracting services HK$'000	Consolidated HK$'000
Other segment information:					
Capital expenditure	69	94,131	–	–	94,200
Unallocated amounts					569
					94,769
Depreciation and amortisation	599	15,004	82	–	15,685
Unallocated amounts					219
					15,904
Other non-cash expenses:					
Impairment loss recognised on obsolescence of inventories	203	–	–	–	203
Impairment loss recognised in respect of other receivables	–	–	264	–	264

(b) Geographical segments

THE GROUP

During the year ended 30 June 2007 and 2006, the Group's entire turnover was derived from sales or services to customers in Hong Kong and more than 90% of the Group's assets were located at Hong Kong. Therefore, no geographical segmental information on revenue and assets was presented.

7. TURNOVER AND OTHER REVENUE

	2007 HK$'000	2006 HK$'000
Turnover		
Manufacturing and trading of electrical equipments	73,663	59,828
Provision of electrical engineering and contracting services	20,296	16,306
Rental income from leasing of the cruise	36,000	27,000
	129,959	103,134
Other revenue		
Interest income	4,678	2,864
Commission received	50	83
Dividend income – listed securities	3	2
Gains on disposal of financial assets at fair value through profit or loss	–	582
Rental income	–	133
Sundry income	221	448
	4,952	4,112

8. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging:

	2007	2006
	HK$'000	*HK$'000*
Amortisation of development costs	–	330
Amortisation of prepaid land premiums	64	71
Auditors' remuneration	753	723
Depreciation of property, plant and equipment	18,319	15,503
Loss on disposal of property, plant and equipment	–	198
Operating lease charges in respect of land and buildings	1,007	628
Salaries and other benefits	13,059	10,887
Equity-settled share-based payments expenses	2,058	–
Mandatory provident fund contributions	537	468
Total staff costs	15,654	11,355
Consultancy fee paid by share-based payments	3,828	–
Impairment loss recognised on obsolescence of inventories	963	203
Impairment loss recognised in respect of trade receivables	776	–
Impairment loss recognised in respect of other receivables	477	264
Written off on trade receivables	13	–
Cost of inventories	54,141	41,587
and after crediting:		
Other income:		
Fair value gain on investment properties	150	700
Fair value gain on financial assets at fair value through profit or loss	1,215	155
Gain on disposal of property, plant and equipment	–	40
Gain on disposal of a subsidiary	–	53
	1,365	948

9. FINANCE COSTS

	2007	2006
	HK$'000	*HK$'000*
Interest on bank overdrafts and other borrowings wholly repayable within five years	27	92
Interest on finance leases	–	36
Interest on convertible notes	1,566	1,098
	1,593	1,226

10. DIRECTORS' REMUNERATION

Directors' remuneration, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

THE GROUP

Name of director	Fee 2007	Fee 2006	Basic salaries 2007	Basic salaries 2006	Provident fund contributions 2007	Provident fund contributions 2006	Equity-settled share-based payments expenses 2007	Equity-settled share-based payments expenses 2006	Total 2007	Total 2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive director										
Mr. Lin Cheuk Fung	–	–	960	960	12	12	62	–	1,034	972
Mr. Lau Kwok Hung	–	–	715	660	12	12	60	–	787	672
Mr. Chan Shiu Kwong, Stephen	–	–	660	600	12	12	60	–	732	612
Mr. Lau Kwok Keung	100	100	–	–	–	–	–	–	100	100
Mr. Wan Yau Shing, Ban	–	–	93	–	3	–	–	–	96	–
Ms. Chik Siu Yin, Urica	–	–	–	133	–	7	–	–	–	140
Independent non-executive director										
Mr. Chow Pui Fung	58	60	–	–	–	–	–	–	58	60
Mr. Yue Fu Wing	60	60	–	–	–	–	–	–	60	60
Mr. Wong Yuk Man	60	20	–	–	–	–	–	–	60	20
Mr. Cheung Yat Hung, Alton	5	–	–	–	–	–	–	–	5	–
Mr. Hung Shui Nam	–	40	–	–	–	–	–	–	–	40
	283	280	2,428	2,353	39	43	182	–	2,932	2,676

During the year, share options of HK$182,000 were granted to the directors under the Company's share options scheme (2006: Nil). There were no arrangements under which a director waived or agreed to waive any remuneration during the year (2006: Nil).

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three directors (2006: three), details of whose remuneration are set out in Note 10 above. Details of the remuneration of the two (2006: two) highest paid, non-director employees are as follows:

	2007	2006
	HK$'000	*HK$'000*
Salaries and other benefits	712	1,060
Equity-settled share-based payments expenses	2,058	–
Mandatory provident fund contributions	13	21
	2,783	1,081

Their emoluments are within the following bands:

	Number of employees	
	2007	2006
HK$Nil – HK$1,000,000	1	2
HK$1,000,001 – HK$2,000,000	–	–
HK$2,000,001 – HK$3,000,000	1	–

12. TAXATION

(a) Income tax expenses

Hong Kong Profits Tax has been provided in the financial statements at a rate of 17.5% (2006: 17.5%) on the estimated assessable profits of the subsidiaries for the year. No provision for tax is required for the Group as no assessable profits were earned by the Group during the year.

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
Current year provision:		
Hong Kong	636	699
Under-provision in previous year	99	17
	735	716
Deferred taxation	62	331
	797	1,047

Reconciliation between tax expense and accounting profit at applicable tax rates:

THE GROUP – for the year ended 30 June 2007

	Hong Kong		The PRC		Total	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Profit before taxation	10,064		124		10,188	
Tax at the domestic income rate	1,762	17.5	41	33.0	1,803	17.7
Tax effect of expenses that are not deductible in determining taxable profit	456	4.5	–	–	456	4.5
Tax effect of income that are not taxable in determining taxable profit	(3,086)	(30.7)	–	–	(3,086)	(30.3)
Under-provision in previous year	99	1.0	–	–	99	1.0
Tax effect of unrecognised temporary difference	16	0.2	–	–	16	0.1
Tax effect of estimated tax loss not recognised	1,501	14.9	8	6.5	1,509	14.8
Tax charge at the effective tax rate for the year	748	7.4	49	39.5	797	7.8

THE GROUP – for the year ended 30 June 2006

	Hong Kong		The PRC		Total	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Profit before taxation	9,913		737		10,650	
Tax at the domestic income rate	1,735	17.5	243	33.0	1,978	18.6
Tax effect of expenses that are not deductible in determining taxable profit	702	7.1	–	–	702	6.6
Tax effect of income that are not taxable in determining taxable profit	(5,254)	(53.0)	–	–	(5,254)	(49.3)
Under-provision in previous year	17	0.1	–	–	17	0.2
Tax effect of estimated tax loss not recognised	3,616	36.5	(12)	(1.6)	3,604	33.8
Tax charge at the effective tax rate for the year	816	8.2	231	31.4	1,047	9.9

(b) Deferred tax liabilities

The followings are the major deferred tax liabilities recognised by the Group and movements thereon:

	Accelerated tax depreciation *HK$'000*	Deferred tax on fair value gains on investment properties *HK$'000*	Total *HK$'000*
At 1 July 2005	–	–	–
Charge to income statement	100	231	331
At 30 June 2006 and 1 July 2006	100	231	331
Charge to income statement	12	50	62
At 30 June 2007	112	281	393

13. DIVIDENDS

No dividend has been declared or proposed by the directors of the Company in respect of the year ended 30 June 2007 (2006: Nil).

14. EARNINGS FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

	2007 *HK$'000*	2006 *HK$'000*
Dealt with in the financial statements of the Company	(14,190)	4,221
Attributable to subsidiaries	18,835	2,926
	4,645	7,147

15. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

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

	2007 *HK$'000*	2006 *HK$'000*
Earnings attributable to the equity holders of the Company	4,645	7,147

	Number of shares	
	2007 *'000*	2006 *'000*
Weighted average number of ordinary shares	1,355,927	1,239,763

Basic and diluted earnings per share for the year ended 30 June 2006 have been presented in a single line as the effect of the assumed conversion of the Company's outstanding convertible notes would increase earnings per share and therefore the conversion of convertible notes would be anti-dilutive.

Basic and diluted earnings per share for the year ended 30 June 2007 have been presented in a single line as the average market price of ordinary shares, at no time during the period, exceeds the exercise price of the option, therefore, the conversion of share option would be anti-dilutive.

16. PROPERTY, PLANT AND EQUIPMENT

(a) THE GROUP

	Buildings in Hong Kong	Leasehold improvements	Plant and machinery	Furniture, fixtures and equipment	Computer equipment	Motor vehicles	Cruise ship	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost:								
At 1 July 2005	3,195	–	336	3,042	297	2,488	97,000	106,358
Additions	–	42,460	19,937	159	33	–	32,180	94,769
Disposals	–	–	–	(31)	(11)	(2,488)	–	(2,530)
At 30 June 2006 and 1 July 2006	3,195	42,460	20,273	3,170	319	–	129,180	198,597
Additions	–	85	50	158	7	–	–	300
Disposals	–	–	(242)	(1,314)	–	–	–	(1,556)
At 30 June 2007	3,195	42,545	20,081	2,014	326	–	129,180	197,341
Accumulated depreciation:								
At 1 July 2005	320	–	280	2,399	228	2,078	–	5,305
Charge for the year	80	6,354	2,268	295	47	–	6,459	15,503
Written back on disposal	–	–	–	(5)	–	(2,078)	–	(2,083)
At 30 June 2006 and 1 July 2006	400	6,354	2,548	2,689	275	–	6,459	18,725
Charge for the year	80	8,499	3,011	257	13	–	6,459	18,319
Written back on disposal	–	–	(242)	(1,314)	–	–	–	(1,556)
At 30 June 2007	480	14,853	5,317	1,632	288	–	12,918	35,488
Net book value:								
At 30 June 2007	2,715	27,692	14,764	382	38	–	116,262	161,853
At 30 June 2006	2,795	36,106	17,725	481	44	–	122,721	179,872

(b) THE COMPANY

	Office equipment *HK$'000*	**Leasehold improvement** *HK$'000*	**Computer equipment** *HK$'000*	**Motor vehicles** *HK$'000*	**Total** *HK$'000*
At cost:					
At 1 July 2005	20	–	74	1,700	1,794
Additions	89	447	33	–	569
Disposal	(11)	–	(11)	(1,700)	(1,722)
At 30 June 2006 and 1 July 2006	98	447	96	–	641
Additions	–	–	7	–	7
At 31 July 2007	98	447	103	–	648
Accumulated depreciation:					
At 1 July 2005	10	–	42	1,290	1,342
Charge for the year	13	52	10	–	75
Written back on disposal	(5)	–	(1)	(1,290)	(1,296)
At 30 June 2006 and 1 July 2006	18	52	51	–	121
Charge for the year	19	90	13	–	122
At 31 July 2007	37	142	64	–	243
Net book value:					
At 30 June 2007	61	305	39	–	405
At 30 June 2006	80	395	45	–	520

(c) At 30 June 2007, no property, plant and equipment of the Group was pledged to secure general banking facilities granted to the Group (2006: HK$5,438,000).

17. INVESTMENT PROPERTIES

THE GROUP

	HK$'000
Fair value:	
At 1 July 2005	27,700
Fair value gain on investment properties	700
At 30 June 2006 and 1 July 2006	28,400
Fair value gain on investment properties	150
At 30 June 2007	28,550

The fair value of the Group's investment properties at 30 June 2007 have been arrived at on the basis of a valuation carried out on that date by Messrs. Chung, Chan & Associates, an independent qualified professional valuers not connected with the Group. Messrs. Chung, Chan & Associates are members of The Royal Institution of Chartered Surveyors, and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation, which conforms to Hong Kong Institution Surveyors Valuation Standards on Properties, was arrived at by reference to market evidence of transaction prices for similar properties.

The carrying amounts of investment properties shown above comprise:

	2007	**2006**
	HK$'000	*HK$'000*
Representing:		
Leasehold land in the PRC:		
Medium term lease	12,050	12,000
Long term leases	16,500	16,400
	28,550	28,400

18. PREPAID LAND PREMIUMS

THE GROUP

The Group's interests in leasehold land and land use rights represent prepaid operating lease payment and their net book value are analysed as follows:

	HK$'000
At cost:	
At 1 July 2005, 30 June 2006, 1 July 2006 and 30 June 2007	2,836
Accumulated amortisation:	
At 1 July 2005	122
Charge for the year	71
At 30 June 2006 and 1 July 2006	193
Charge for the year	64
At 30 June 2007	257
Carrying amount:	
At 30 June 2007	2,579
At 30 June 2006	2,643

	THE GROUP	
	2007	**2006**
	HK$'000	*HK$'000*
Representing:		
Leasehold land in Hong Kong:		
Medium term leases	2,579	2,643

At 30 June 2007, no leasehold land were pledged to a bank for securing general banking facilities granted to the Group (2006: HK$2,643,000).

19. INTANGIBLE ASSETS

THE GROUP

	Development cost *HK$'000*
At cost:	
At 1 July 2005, 30 June 2006, 1 July 2006 and 30 June 2007	4,673
Accumulated amortisation:	
At 1 July 2005	4,343
Charge for the year	330
At 30 June 2006, 1 July 2006 and 30 June 2007	4,673
Net book value:	
At 30 June 2007	–
At 30 June 2006	–

20. GOODWILL

THE GROUP

	HK$'000
At cost:	
At 1 July 2005, 30 June 2006, 1 July 2006 and 30 June 2007	45
Accumulated amortisation and impairment loss:	
At 1 July 2005, 30 June 2006, 1 July 2006 and 30 June 2007	–
Net book value:	
At 30 June 2007	45
At 30 June 2006	45

Impairment test for goodwill

Goodwill is allocated to the Group's cash-generating unit (CGUs) identified according to the location of operation and business segment as follows:

	2007 *HK$'000*	**2006** *HK$'000*
Cruise leasing	45	45

During the year ended 30 June 2007, the directors of the Company determine that no impairment loss would be recognised in respect of the goodwill associated with the Group's cruise leasing (2006: Nil).

The recoverable amount of the CGU is determined based on value in use calculation. That calculation used cash flow projections based on the financial budgets approved by management covering a 5 year period. Cash flow is beyond five year period extrapolated using the estimated rates stated below. The growth rate does not exceed the long-term average growth rate or the business in which the CGU operates.

Key assumptions used for value-in-use calculations:

Gross margin	50%
Growth rate	3%
Discount rate	5%

Management determined the budget gross margin based on past performance and its expectations for the market development. The weighted average growth rate used are based on the management's expectation on the market development. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

21. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2007	**2006**
	HK$'000	*HK$'000*
Unlisted investments, at cost	104,420	104,420
Less: Impairment loss recognised in respect of investment costs	(5,000)	(5,000)
	99,420	99,420
Amounts due from subsidiaries	225,654	229,204
Less: Impairment loss recognised in respect of amounts due from subsidiaries	(150,367)	(150,750)
	174,707	177,874

The amounts due from subsidiaries are unsecured, interest free and have no fixed terms of repayment. The directors of the Company considered that the carrying amounts of amounts due from subsidiaries approximate to their fair value.

The directors of the Company had reviewed the net asset values of the Company's subsidiaries at 30 June 2007 and considered reversal of provision for impairment in values of approximately HK$246,000 (2006: provision for impairment of HK$55,084,000) should be made in respect of the investment in subsidiaries and the amounts due from subsidiaries to their net recoverable values.

Particulars of the Company's subsidiaries at 30 June 2007 are as follows:

Name of subsidiary	Place of incorporation/ registration/ operation/ establishment	Issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued ordinary share capital/ registered capital held by the Company Directly %	Indirectly %	Principal activity
Great Well Global Limited	The British Virgin Islands	US$1	100	–	Leasing
Jumbo Profit Investments Limited	The British Virgin Islands	US$1	100	–	Securities trading
Lexwin Company Limited	Hong Kong	HK$2	100	–	Assets holding
Goalstar Holdings Limited	The British Virgin Islands	US$1	100	–	Investment holding
Linfield International Limited*	The British Virgin Islands	US$2,850,000	80	–	Investment holding
Metrix Engineering Company Limited*	Hong Kong	HK$600,000	–	80	Manufacturing and trading of electrical equipment
Metrix Engineering (China) Limited*	Hong Kong	HK$500,000	–	80	Inactive
Metrix Engineering International Limited*	Hong Kong	HK$22,000,000	–	80	Investment holding
Metrix E & M Services Limited*	Hong Kong	HK$500,000	–	80	Provision of electrical engineering and contracting services
Discovery Net Limited	The British Virgin Islands	US$50,000	–	100	Securities trading
Sources Investments Limited	Hong Kong	HK$2	100	–	Securities trading
World Target International Limited	The British Virgin Islands	US$1	100	–	Securities trading
Tenin Investments Limited	Hong Kong	HK$2	–	100	Property development
Anwill Investments Limited	Hong Kong	HK$2	–	100	Property development
Century Element Entertainment (HK) Limited	Hong Kong	HK$2	–	100	Entertainment
Eagles Wing Limited	Hong Kong	HK$2	100	–	Distribution
Massive Resources Corporation (China) Limited	Hong Kong	HK$2	100	–	Investment holding
Smart Brilliance Development Limited	Hong Kong	HK$10,000	100	–	Licence holders
Talent Ascent Limited	Hong Kong	HK$2	100	–	Securities trading
Walden Maritime S.A.	Republic of Panama	US$10,000	70	–	Cruise leasing

* Companies audited by K. W. Lau CPA Limited

Subsidiaries not consolidated

In February 2001, Goalstar Holdings Limited ("Goalstar"), a wholly-owned subsidiary of the Company, purportedly entered into an agreement whereby Goalstar would purchase 60% of the issued shares and the shareholders' loan of M-Star Limited ("M-Star"). Having obtained legal advice, Goalstar duly rescinded the purported agreement. The Group's investment in M-Star had not been incorporated into these financial statements and under prudence, a full impairment of HK$16,043,000 for the investment in M-Star had been made in the year ended 30 June 2002. Official receiver had been appointed for the liquidation of M-Star during the year ended 30 June 2003.

M-Star was dissolved by compulsory winding up on 23 November 2006. No gain or loss on dissolution on the subsidiary was recognised in the income statement during the year. The dissolved subsidiary had not been incorporated into these financial statements.

None of the subsidiaries had any loan capital outstanding at the end of the year, or at any time during the year.

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

22. INVENTORIES

	THE GROUP	
	2007	**2006**
	HK$'000	*HK$'000*
Raw materials	15,741	13,669
Work in progress	2,532	2,889
Less: Impairment loss recognised on obsolescence of inventories	(963)	(203)
	17,310	16,355

The directors of the Company consider the net realisable values and conditions of the Group's inventories at 30 June 2007 and considered provision for impairment in values should be made in respect of diminution in value of inventories due to obsolescence.

23. TRADE AND OTHER RECEIVABLES

	THE GROUP		THE COMPANY	
	2007	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	41,341	29,490	–	–
Sundry deposits and prepayments	2,675	1,607	293	265
Other receivables	4,356	1,913	3,767	1,339
Amounts due from contract customers *(Note 27)*	1,789	1,675	–	–
	50,161	34,685	4,060	1,604

The movements of trade receivables were as follows:

	THE GROUP	
	2007	**2006**
	HK$'000	*HK$'000*
Trade receivables	42,160	29,735
Less: Impairment loss recognised in respect of trade receivables	(819)	(245)
	41,341	29,490

Aging analysis of trade receivables net of provision is set out below:

	THE GROUP	
	2007	**2006**
	HK$'000	*HK$'000*
0 – 30 days	17,006	12,199
31 – 60 days	9,895	7,725
61 – 90 days	5,537	5,980
Over 90 days	8,903	3,586
	41,341	29,490

The movements in provision for impairment loss on trade receivables are as follows:

	THE GROUP	
	2007	**2006**
	HK$'000	*HK$'000*
At 1 July 2006/2005	245	245
Impairment loss recognised in respect of trade receivables	776	–
Write back during the year	(202)	–
At 30 June 2007/2006	819	245

Notes:

(i) The credit terms for customers are generally granted in between 30-60 days.

(ii) The directors of the Company considered that the carrying amounts of trade and other receivables approximates their fair values.

(iii) Sundry deposits and prepayments was net of impairment loss of approximately HK$477,000 (2006: HK$264,000). The directors of the Company had assessed the recoverability of the sundry deposits and prepayments at 30 June 2007 and considered provision for impairment should be made to reflect its fair value.

24. LOAN RECEIVABLES

	THE GROUP		THE COMPANY	
	2007	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Loans to independent third parties	28,000	–	17,500	–

The Group and the Company have provided short-terms loans to two independent third parties during the year and the loans were fully repaid in July and October 2007 respectively. The effective interest rate was 9.5% per annum.

The directors considered that the carrying amounts of loan receivables approximate their fair values.

25. AMOUNT DUE FROM A RELATED COMPANY

Name of company	**Maximum balance during the year**	THE GROUP **2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Company in which two directors of subsidiaries have beneficial interests			
Gason Electrical Contracting Ltd.	722	710	710

The amount due is unsecured, interest free and recoverable on demand. The directors of the Company considered that the carrying amount of amount due from a related company approximate its fair value.

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	THE GROUP	
	2007	**2006**
	HK$'000	*HK$'000*
Trading securities (at market value)		
Listed equity securities		
– in Hong Kong	1,782	567

27. CONSTRUCTION CONTRACTS

	THE GROUP 2007 *HK$'000*	2006 *HK$'000*
Amounts due from contract customers included in trade and other receivables *(Note 23)*	1,789	1,675
Amounts due to contract customers included in trade and other payables *(Note 31)*	(3,311)	(2,905)
	(1,522)	(1,230)

	THE GROUP 2007 *HK$'000*	2006 *HK$'000*
Contract costs incurred plus recognised profits less recognised losses to date	40,443	22,025
Less: Progress billings	(41,965)	(23,255)
	(1,522)	(1,230)

At 30 June 2007, no retention (2006: Nil) was held by customers for contract works as included in trade and other receivables under current assets.

28. SHARE CAPITAL

	No. of shares *'000*	*HK$'000*
Authorised:		
At 1 July 2005, 30 June 2006 and 1 July 2006 – ordinary shares of HK$0.02	50,000,000	1,000,000
Consolidation of every ten shares into one share on 31 May 2007 *(Note ii)*	(45,000,000)	–
At 30 June 2007 – ordinary shares of HK$0.2	5,000,000	1,000,000
Issued and fully paid:		
At 1 July 2005, 30 June 2006 and 1 July 2006 – ordinary shares of HK$0.02	12,397,630	247,953
Issue of shares on 1 December 2006 *(Note i)* – ordinary shares of HK$0.02	2,000,000	40,000
Consolidation of every ten shares into one share on 31 May 2007 *(Note ii)*	(12,957,867)	–
At 30 June 2007 – ordinary shares of HK$0.2	1,439,763	287,953

Notes:

(i) Conversion of convertible notes

On 1 December 2006, 2,000,000,000 ordinary shares of HK$0.02 each were issued by the Company as a result of the exercise of the conversion rights attached to the convertible notes of an aggregate principal amount of HK$40,000,000 issued by the Company on 22 October 2005 at a conversion price of HK$0.02 each. For further details, please refer to Note 33.

(ii) Share consolidation

On 31 May 2007, the Company had implemented the share consolidation whereby every 10 existing shares of HK$0.02 each will be consolidated into one consolidated share of HK$0.2. For further details, please refer to the Company's circular dated 7 May 2007.

All new shares issued by the Company during the year ranked pari passu with existing shares in all respects.

Share options

Under the terms of the Share Option Scheme adopted by the Company on 30 November 2000 (the "Scheme"), the Board may, at its discretion, invite employees, including the directors of the Company and its subsidiaries, to take up options to subscribe for shares in the share capital of the Company. The subscription price for the Company's shares under the Scheme is determined by the Board and will not be less than 80% of the average of the closing prices of the Company's shares listed on The Stock Exchange of Hong Kong Limited on the five trading days immediately preceding the date of offer of the option or the nominal value of the Company's shares, whichever is the higher. The maximum number of shares in respect of which options may be granted may not exceed 10% of the issued share capital of the Company (excluding shares issued under the Scheme) from time to time and that the maximum number of shares in respect of which options may be granted to any one employee shall not exceed 25% of the aggregate number of shares under the Scheme.

The Scheme was adopted prior to the new rules on share option schemes under the Listing Rules coming into operation. The Company may only grant further options under the Scheme if the options are granted in accordance with the requirements of the new rules of Chapter 17 of the Listing Rules which include, inter alia, the followings:

(i) the total number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other schemes must not in aggregate exceed 10% of the relevant class of shares of the Company (or its subsidiaries) in issue at the date of approval of the Scheme. Subject to compliance with the Listing Rules, the limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes must not exceed 30% of the relevant class of shares of the Company in issue from time to time;

(ii) the maximum number of shares issuable under share options to each eligible participant within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting. Grant of options to connected persons are subject to more stringent requirements; and

(iii) the exercise price of the share options is determined by directors, but may not be less than the higher of (a) The Stock Exchange of Hong Kong Limited closing price of the Company's share on the date of offer of the grant of the share options; and (b) the average of The Stock Exchange of Hong Kong Limited closing price of the Company's shares of the five trading days immediately preceding the date of the offer of the grant of the share options.

Fair value of share options and assumption

The fair value of the share options granted during the financial year was approximately HK$6,068,000 (2006: Nil). The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options is measured based on Black-Scholes model. The contractual life of the share option is used as an input into this model.

Inputs into the model	**2007**
Grant date share price	HK$0.07
Exercise price (before share consolidation)	HK$0.0728
Expected volatility	141.52%
Option life	10 years
Dividend yield	0%
Risk-free interest rate	4.63%

In accordance with terms of the share-based arrangement, options issued during the financial year ended 30 June 2007, vest at the date of grant. Expected volatility was determined by using the historical volatility of the Company's share price over the previous 8 months.

The variables and assumptions used in computing the fair value of the share options are based on the director's best estimate. The value of an option varies with different variables of certain subjective assumptions. For the share options with parties other than employees, the directors of the Company measure the services received by reference to the fair value of the share option granted as the fair value of the services received cannot be estimated reliably.

The follow table discloses the movements in the Company's share options during the year ended 30 June 2007.

Name or category of participant	At 1 July 2006	Granted during the year	Share consolidated during the year	Exercised during the year	Lapsed during the year	At 30 June 2007	Date of grant of share options* *(dd/mm/yy)*	Exercise period of share options *(dd/mm/yy)*	Exercise price of share options** *HK$*	Company's share price at grant date of share options*** *HK$*
	Number of share options									
Directors										
Mr. Lin Cheuk Fung	–	900,000	(810,000)	–	–	90,000	26/02/2007	26/02/2007 to 25/02/2017	0.728	0.07
Mr. Chan Shiu Kwong, Stephen	–	880,000	(792,000)	–	–	88,000	26/02/2007	26/02/2007 to 25/02/2017	0.728	0.07
Mr. Lau Kwok Hung	–	880,000	(792,000)	–	–	88,000	26/02/2007	26/02/2007 to 25/02/2017	0.728	0.07
Mr. Wan Yau Shing, Ban	–	30,000,000	(27,000,000)	–	–	3,000,000	26/02/2007	26/02/2007 to 25/02/2017	0.728	0.07
Employees other than directors										
In aggregate	–	55,760,000	(50,184,000)	–	–	5,576,000	26/02/2007	26/02/2007 to 25/02/2017	0.728	0.07
	–	88,420,000	(79,578,000)	–	–	8,842,000				

* The vesting period of the share options is from the date of grant until the commencement of the exercise period.

** The exercise price of the share options was after the consolidation of shares.

*** The Company's share price at the granted date of share options was before the consolidation of shares.

The Group recognises the fair value of share options granted as an expense in the income statement over the vesting period with a corresponding increase being recognised in employee share-based payment reserve. The employee share-based payment reserve is transferred to share capital and share premium, together with the exercise price, when the option holder exercise its rights.

The Group implemented the share consolidation scheme during the year, pursuant to which the existing shares subject to the outstanding options would decrease from 88,420,000 existing shares to 8,842,000 consolidated shares.

29. RESERVES

THE GROUP

	Share premium account HK$'000	Convertible notes reserve HK$'000	Non-distributable reserve HK$'000	Share options reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 July 2005	61,454	–	2,264	–	(89,221)	(25,503)
Convertible notes						
– equity component	–	277	–	–	–	277
Net profit for the year	–	–	–	–	7,147	7,147
At 30 June 2006 and 1 July 2006	61,454	277	2,264	–	(82,074)	(18,079)
Convertible notes						
– extension	–	283	–	–	–	283
– redemption	298	(560)	–	–	–	(262)
Equity-settled share-based payments expenses	–	–	–	6,068	–	6,068
Net profit for the year	–	–	–	–	4,645	4,645
At 30 June 2007	61,752	–	2,264	6,068	(77,429)	(7,345)

THE COMPANY

	Share premium account HK$'000	Convertible notes reserve HK$'000	Non-distributable reserve HK$'000	Share options reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 July 2005	61,454	–	1,264	–	(61,640)	1,078
Convertible notes						
– equity component	–	277	–	–	–	277
Net loss for the year	–	–	–	–	(55,363)	(55,363)
At 30 June 2006 and 1 July 2006	61,454	277	1,264	–	(117,003)	(54,008)
Convertible notes						
– extension	–	283	–	–	–	283
– redemption	298	(560)	–	–	–	(262)
Equity-settled share-based payments expenses	–	–	–	6,068	–	6,068
Net loss for the year	–	–	–	–	(8,440)	(8,440)
At 30 June 2007	61,752	–	1,264	6,068	(125,443)	(56,359)

30. BANK AND OTHER BORROWINGS

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
Bank overdrafts	374	528
Bank loan, secured	–	1,564
	374	2,092
The maturity profile of the above bank and other borrowings is as follows:		
Within one year	374	2,092
In the second year	–	–
In the third to fifth years, inclusive	–	–
	374	2,092
Portion classified as current liabilities	(374)	(2,092)
Non-current portion	–	–

At 30 June 2007, no leasehold land and buildings in Hong Kong of the Group was pledged to secure the bank facilities (2006: HK$5,438,000) and fixed deposits of approximately HK$68,000 (2006: HK$4,451,000) was pledged to secure general banking facilities.

31. TRADE AND OTHER PAYABLES

	THE GROUP		THE COMPANY	
	2007	2006	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade creditors	9,421	9,077	–	–
Other payables	21,644	21,443	–	–
Accruals	4,193	3,552	2,382	1,895
Provision for legal claim for rental payment	1,883	1,883	–	–
Advance received	806	205	–	–
Amounts due to contract customers *(Note 27)*	3,311	2,905	–	–
	41,258	39,065	2,382	1,895

Aging analysis of trade creditors is set out below:

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
0 – 30 days	5,136	3,536
31 – 60 days	1,989	2,919
61 – 90 days	2,295	2,591
Over 90 days	1	31
	9,421	9,077

The directors of the Company considered that the carrying amounts of trade and other payables approximates their fair values.

32. DEPOSITS RECEIVED

THE GROUP AND THE COMPANY

On 13 June 2007, the Board of the Company has proposed to issue 719,881,500 offer shares at a price of HK$0.2 per offer shares by way of open offer for every 2 consolidated shares. At the balance sheet date, the Company has received approximately HK$81,813,000 in respect of the open offer and classified the fund received as deposits received. The open offer which was underwritten on a fully underwritten basis has become unconditional on 4 July 2007. For further details, please refer to Note 42 to the financial statements.

33. CONVERTIBLE NOTES

	THE GROUP AND THE COMPANY *HK$'000*
Fair value of convertible notes issued	40,000
Equity component	(277)
Liability component on initial recognition	39,723
Interest expense	(100)
Amortised cost on initial recognition at 22 October 2005	39,623
Interest expenses	1,098
Interest payable	(956)
Amortised cost at 30 June 2006 and 1 July 2006	39,765
Interest expenses	1,566
Interest payable	(1,593)
Converted into ordinary shares at 1 December 2006	(39,738)
	–

Notes:

(i) Pursuant to the convertible notes subscription agreement dated 12 September 2006, the Company issued convertible notes in the principal of HK$40,000,000 (the "Notes") to two independent third parties ("the Noteholders"). The Notes bear interest at the rate of 5% per annum on the outstanding principal amount of the Notes. The Company shall repay such principal moneys outstanding under the Notes to the Noteholders together with all interest accrued thereon up to and including the date of repayment falling 12 months from the date of issue of the Notes. The Noteholders may at any business day after the date of issue of the Notes up to and including the date prior to the anniversary to the date of issue of the Notes convert the whole or any part in an amount of integral multiple of HK$1,000,000 of the principal amount of the Notes into shares of HK$0.02 each in the share capital of the Company, at the conversion price of HK$0.02 per share.

(ii) During the year ended 30 June 2007, the Noteholders have confirmed to extend the repayment of the principal amount of convertible notes together with interest to 21 October 2007 and all terms and conditions of the convertible notes will remain unchanged. The Notes were converted into ordinary shares of HK$0.02 each at the conversion price of HK$0.02 per share on 1 December 2006. Total number of ordinary shares converted was 2,000,000,000.

(iii) The fair value of the liability component, included in current liabilities, was calculated using a market interest rate for an equivalent non-convertible bond. The remaining balance represented the equity conversion component, is included in shareholders' equity named as convertible notes reserve.

	Carrying amounts		**Fair values**	
	2007	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Convertible bonds	–	39,765	–	39,765

Interest expenses on the convertible notes is calculated using the effective interest method by applying the effective interest rate of 5.85% (2006: 5.85%) to the liability component.

34. AMOUNT DUE TO A MINORITY SHAREHOLDER

THE GROUP

The amount due is unsecured, interest free and repayable on demand. The directors of the Company considered that the carrying amount of amount due to a minority shareholder approximate its fair value.

35. AMOUNT DUE TO A SUBSIDIARY

THE COMPANY

The amount due is unsecured, interest-free and has no fixed terms of repayment. The directors of the Company considered that the carrying amount of amount due to a subsidiary approximate its fair value.

36. OPERATING LEASE COMMITMENTS

(a) The Group's total future minimum lease payments under non-cancellable operating leases are receivables as follows:

	THE GROUP	
	2007	**2006**
	HK$'000	*HK$'000*
Within 1 year	9,000	36,000
After 1 year but within 5 years	–	9,000
	9,000	45,000

(b) At 30 June 2007, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	THE GROUP	
	2007	**2006**
	HK$'000	*HK$'000*
Within 1 year	875	907
After 1 year but within 5 years	188	1,063
	1,063	1,970

37. RETIREMENT BENEFITS SCHEME

The Group operates defined contribution Mandatory Provident Fund retirement benefits schemes (the "MPF Schemes") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Schemes. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated income statement as they become payable in accordance with the rules of the MPF Schemes. The assets of the MPF Schemes are held separately from those of the Group in independently administered funds. The Group's employer contributions vest fully with the employees when contributed into the MPF schemes, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Schemes.

At the balance sheet date, the total amount of forfeited contributions, which arose upon employees leaving the defined contribution retirement benefits scheme and which are available to reduce the contributions payable in the future years was nil (2006: HK$1,190).

The employees of the Company's subsidiary in the People's Republic of China (the "PRC") are members of the state-sponsored retirement benefit scheme organised by the relevant local government authority in the PRC. The subsidiary is required to contribute, based on a certain percentage of the basic salary of its employees, to the retirement benefit scheme and has no further obligations for the actual payment of pensions or post-retirement benefits beyond the annual contributions. The state-sponsored retirement benefit scheme represent for the entire pension obligations payable to retired employees.

38. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in the financial statements, during the year, the Group had entered into transactions with related parties which, in the opinion of the directors, were carried out on normal commercial terms and in the ordinary course of the Group's business, as shown below:

Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in Note 10 is as follows:

	2007	**2006**
	HK$'000	*HK$'000*
Short term employee benefits	2,711	2,943
Equity-settled share-based payments	182	–
MPF contribution	39	63
	2,932	3,006

During the year, the Group had the following material transactions with related parties:

Name of related parties	**Relationship**	**Nature of transactions**	**2007**	**2006**
			HK$'000	*HK$'000*
Gason Electrical Contracting Ltd. *(Note a)*	Company in which two directors of subsidiaries have beneficial interests	Trade receivables	11,623	3,966
		Sales	20,291	16,304
Gold Arch Engineering Ltd. *(Note b)*	Company in which two directors of subsidiaries have beneficial interests	Management fee paid	360	360

Notes:

a. The transactions were carried out at market price or, where no market price was available, at cost plus a percentage profit mark-up.

b. The transactions were based on amounts agreed between the parties concerned.

39. DISPOSAL OF SUBSIDIARIES

On 20 June 2006, the Group entered into a sale and purchase agreement to dispose of its 100% equity interest in 北京駿雷文化傳播有限公司 to a individual third party for a cash consideration of HK$1, the principal activity of which is investment holding. The net assets of 北京駿雷文化傳播有限公司 at the date of disposal were as follows:

	2006
	HK$'000
Net assets disposed of:	
Property, plant and equipment	20
Inventories	2
Cash and cash equivalent	53
Trade and other payables	(126)
Taxation payable	(2)
	(53)
Gain on disposal of a subsidiary	53
Consideration satisfied by cash	–

Analysis of the net cash inflow in respect of the disposal of a subsidiary is set out below:

	HK$'000
Cash consideration received	–
Cash and cash equivalent disposed of	(53)
Net cash outflow in respect of the disposal of a subsidiary	(53)

The subsidiary disposed of during the years ended 30 June 2006 did not contribute significantly to the Group's cash flow and did not have material impact on the Group's results as a whole.

40. CAPITAL COMMITMENT

On 16 January 2007, the Company entered into a conditional sale and purchase agreement in relation to the acquisition of 100% equity interest in Credible Limited for a total consideration of HK$140 million in cash. The consideration would be financed by the Group's open offer. Details of the acquisition have been announced in the Company's circular dated 7 May 2007.

On 8 May 2007, the Company entered into a conditional sale and purchase agreement in relation to the acquisition of 100% equity interest in Koppert International Limited for a total consideration of HK$100 million. The consideration would be financed by the Group's internal financing and issue of promissory notes. Details of the acquisition have been announced in the Company's circular dated 28 May 2007.

At 30 June 2007, capital commitment in aggregate for the acquisition is as follow:

	THE GROUP AND THE COMPANY	
	2007	**2006**
	HK$'000	*HK$'000*
Contracted but not provided for acquisition of:		
– Credible Limited	140,000	–
– Koppert International Limited	100,000	–
	240,000	–

41. CONTINGENT LIABILITIES

	THE GROUP	
	2007	**2006**
	HK$'000	*HK$'000*
Irrevocable letters of credit	–	1,384
Other trade guarantees	68	136
	68	1,520

On 1 September 2004, a writ of summons and statement of claim was made by The Center (49) Limited against the Company in respect of the office previously rented by the Group. The claim is for a sum of approximately HK$3.3 million together with interest and cost. In the opinion of the directors, the amount claimed is unreasonable. The Group would vigorously contest against such claim. After obtaining legal advice, a provision of approximately HK$1.6 million has been made in the financial statements for the year ended 30 June 2004. During the year ended 30 June 2007, there has been no significant progress. At the date of approval of these financial statements, the case is still pending for hearing.

42. SUBSEQUENT EVENTS

(i) On 6 January 2007, the Company has entered into a sales and purchases agreement to acquire from Mr. Guo Nan 100% of the issued share capital of Credible Limited for a total consideration HK$140 million in cash. Subject to the conditions of the sales and purchases agreement, this transaction was completed on 3 July 2007. For further details, please refer to the Company's circular dated 7 May 2007.

(ii) On 8 May 2007, the Company has entered into a sales and purchases agreement to acquire from Ms. Lao Sio Meng 100% issued share capital of Koppert International Limited for a total consideration of HK$100 million. Subject to the conditions of the sale and purchases agreement, this transaction was completed on 1 August 2007. The consideration for the acquisition was satisfied by (i) HK$70 million in cash and (ii) the issue of the promissory notes in an aggregate principal amount of HK$30 million. For further details, please refer to the Company's circular dated 28 May 2007.

(iii) The Board of the Company has proposed to raise approximately HK$143.98 million, before expenses, by issuing 719,881,500 offer shares at a price of HK$0.2 per offer shares by way of open offer for every two consolidated shares held on the record date and payable in full on acceptance. The open offer which was underwritten on a fully underwritten basis has become unconditional on 4 July 2007.

(iv) On 23 July 2007, Mr. Lin Cheuk Fung entered into the Subscription Agreement with the Company. Pursuant to the Subscription Agreement, the Company has agreed to issue and Mr. Lin Cheuk Fung has agreed to subscribe up to 247,600,000 new shares at a net subscription price of approximately HK$0.558 per share. For further details, please refer to the Company's announcement dated 25 July 2007.

(v) On 18 September 2007, an ordinary resolution has been passed to approve termination of the existing share option scheme and adoption of a new share option scheme. Upon adoption of the new share option scheme, the existing scheme will terminate and no further options can be granted under the existing scheme. Apart from the existing scheme, the Company had no other share option scheme. For further details, please refer to the Company's circular dated 31 August 2007.

43. COMPARATIVE FIGURES

Certain items in the consolidated financial statements have been restated to conform with the current year's presentation.

44. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 26 October 2007.

1. SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and of the assets and liabilities of Profit Forest Limited for the period from 6 July 2007 (date of incorporation) to 30 November 2007, as extracted from the circular of the Company dated 13 February 2008, is set out below pursuant to Appendix 1B(31)(3) of the Listing Rules.

Results

	For the period from 6 July 2007 (date of incorporation) to 30 November 2007 *HK$*
Turnover	–
Loss from operating activities	(6,162)
Loss for the period attributable to equity holder of Profit Forest	(6,162)
Basic and diluted loss per share	(62)
Assets and Liabilities	
Total asset	1
Total liabilities	(5,383)
Net assets	(5,382)

There were no qualification in the accountants report of Profit Forest Limited issued by HLB for the period from 6 July 2007 (date of incorporation) to 30 November 2007, as set out in the circular of the Company dated 13 February 2008.

2. AUDITED FINANCIAL INFORMATION FOR THE PERIOD FROM 6 JULY 2007 (DATE OF INCORPORATION) TO 30 NOVEMBER 2007

Set out below is a summary of the audited accounts of Profit Forest Limited for the period from 6 July 2007 (date of incorporation) to 30 November 2007, as extracted from the accountants' report of Profit Forest Limited contained in the circular of the Company dated 13 February 2008. References to pages number in this section are to the page numbers of such circular of the Company.

A. FINANCIAL INFORMATION OF PROFIT FOREST

Balance Sheet

	Notes	At 30 November 2007 HK$
ASSET		
Non-current asset		
Intangible asset	*5*	1
Total asset		1
EQUITY		
Capital and reserves attributable to the equity holder of Profit Forest		
Share capital	*6*	780
Accumulated loss		(6,162)
Total equity		(5,382)
LIABILITY		
Current liability		
Amount due to director	*7*	5,383
Total equity and liability		1
Net current liabilities		(5,383)
Total assets less current liabilities		(5,382)

The accompanying notes form an integral part of the Financial Information.

Income Statement

	Notes	For the period from 6 July 2007 (date of incorporation) to 30 November 2007 HK$
Turnover	8	–
Administrative expenses		(6,162)
Loss from operating activities	9	(6,162)
Taxation	10	–
Loss for the period		(6,162)
Attributable to:		
Equity holder of Profit Forest		(6,162)
Loss per share	11	
Basic and diluted		(62)

All of Profit Forest's operation is classed as continuing.

The accompanying notes form an integral part of the Financial Information.

Statement of Changes in Equity

	Share Capital *HK$*	Accumulated Loss *HK$*	Total *HK$*
At 6 July 2007	780	–	780
Loss for the period	–	(6,162)	(6,162)
At 30 November 2007	780	(6,162)	(5,382)

The accompanying notes form an integral part of the Financial Information.

Cash Flow Statement

	For the period from 6 July 2007 (date of incorporation) to 30 November 2007 *HK$*
Cash flows from operating activities	
Loss before taxation	(6,162)
Operating loss before movements in working capital	(6,162)
Increase in amount due to director	5,383
Net cash used in operating activities	(779)
Cash flows from investing activities	
Payment to acquire an intangible asset	(1)
Net cash used in investing activities	(1)
Cash flows from financing activities	
Issue of shares	780
Net cash generated from financing activities	780
Increase in cash and cash equivalents	–
Cash and cash equivalents at the beginning of the period	–
Cash and cash equivalents at the end of the period	–
Analysis of the balances of cash and cash equivalents	
Cash and bank balances	–

The accompanying notes form an integral part of the Financial Information.

Notes to Financial Information

1. GENERAL INFORMATION

The registered office of Profit Forest is at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, the British Virgin Islands. The holding company of Profit Forest is Ultra Choice, a company incorporated in the British Virgin Islands, ultimately hold by Ms. Lei. Profit Forest was incorporated in the British Virgin Islands as an exempted company with limited liability. Profit Forest is principally engaged in sharing the profit streams from the entertainment related business.

The financial statements are presented in Hong Kong dollars, which is the functional currency of Profit Forest.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards issued by the HKICPA, and accounting principles generally accepted in Hong Kong ("HKFRSs") (which also include Hong Kong Accounting Standards and Interpretations) and the disclosure requirements of the Hong Kong Company Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as applicable to Accountants' Reports including in the listing documents of circulars. The accounting policies of Profit Forest are materially consistent with the Company's accounting policies. The measurement basis used in the preparation of the Financial Information is historical cost convention except for financial assets and financial liabilities have been carried at fair value.

At 30 November 2007, Profit Forest had net current liabilities of HK$5,383. Ms. Lei, the director of Profit Forest, has confirmed that, it is her intention to provide continuing financial support to Profit Forest, subject to the condition that the relationship between Ms. Lei and Profit Forest does not change, so as to enable it to meet its liabilities as and when they fall due and to continue its business for the foreseeable future. Ms. Lei believes that Profit Forest will continue as going concern. Consequently, the Financial Information has been prepared on a going concern basis.

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

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

Profit Forest has not yet early applied the following new standards and interpretations that have been issued but are not yet effective. Profit Forest is not yet in a position to determine whether these standards and interpretations will have significant impact on how the results of operations and financial position are prepared and presented. These standards and interpretations may result in changes in the future as to how the results and financial position are prepared and presented.

HKAS 23 (Revised)	Borrowing Costs[1]
HKFRS 8	Operating Segments[1]
HK(IFRIC)-Int 12	Service Concession Arrangements[2]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[3]
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[2]

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 January 2008
3 Effective for annual periods beginning on or after 1 July 2008

Profit Forest expects that the adoption of the above new standards and interpretations will not have any significant impact on Profit Forest's financial statements in the period of initial application.

The accounting policies set out below have been applied consistently to the Relevant Period I presented in this Financial Information.

(a) Foreign currencies translation

(i) Functional and presentation currency

Items included in the financial statements of Profit Forest are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in HK dollars, which is Profit Forest's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

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

(b) Taxation

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

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes income statement items that are never taxable or deductible.

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investment in subsidiaries and associates, except where Profit Forest is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

(c) Related party transactions

Parties are considered to be related to Profit Forest if:

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

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of Profit Forest or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, joint-controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of the employees of Profit Forest, of any entity that is related party of Profit Forest.

A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

(d) Provisions

Provisions are recognised when Profit Forest has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligations.

(e) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of Profit Forest. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the Financial Information. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

(f) Impairment losses (other than goodwill)

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

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

(g) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

3. FINANCIAL RISK MANAGEMENT

(a) Financial risk management objectives and policies

Profit Forest's major financial instruments include amount due to director. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Foreign exchange risk

Profit Forest is not exposed to significant foreign exchange risk arising form various currency exposures, primarily with respect to the Hong Kong dollars.

(ii) Price risk

Profit Forest is not exposed to significant price risk. The management monitors the price movements and takes appropriate actions when it is required.

Credit risk

Profit Forest is not exposed to significant credit risk.

Liquidity risk

Profit Forest manages its liquidity risk by regularly monitoring current and expected liquidity requirements and ensuring sufficient liquid cash and intended lines of funding from major financial institutions to meet its liquidity requirements in the short and long term.

Cash flow and fair value interest rate risk

As Profit Forest has no significant interest-bearing assets and liabilities, it is not exposed to significant cash flow and fair value interest rate risk.

(b) Capital risk management

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

In order to maintain or adjust the capital structure, Profit Forest may adjust the amount of dividends paid to the shareholder, return capital to the shareholder, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, Profit Forest monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total debt (including amount due to director, as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as equity, as shown in the balance sheet, plus net debt.

Profit Forest's strategy is to maintain a reasonable gearing ratio. The gearing ratio at 30 November 2007 was as follows:

	At 30 November 2007 *HK$*
Total debt	5,383
Less: Cash and cash equivalents	–
Net debt	5,383
Total equity	(5,382)
Total capital	1
Gearing ratio	5,383

4. CRITICAL ACCOUNTING ESTIMATE AND JUDGEMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

Profit Forest makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions 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.

(i) Impairment of intangible asset

Profit Forest tests annually whether the intangible asset has suffered any impairment. The recoverable amount of an intangible asset or a cash generating unit is determined based on value-in-use calculations which require the use of assumptions and estimates.

5. INTANGIBLE ASSET

The intangible asset represents historical cost to acquire the right for the Hao Cai Profit from Hao Cai and Ms. Lei pursuant to the Hao Cai Profit Agreement at a consideration of HK$1.00.

The intangible asset is not subject to amortisation as the right has an indefinite useful life and is carried at cost less accumulated impairment losses.

6. SHARE CAPITAL

	Number of shares	Share capital	
		US$	*HK$*
Authorised:			
Ordinary shares at par value	50,000	–	–
Issued and fully paid:			
At 6 July 2007 and 30 November 2007	100	100	780

7. AMOUNT DUE TO DIRECTOR

The amount due to director is unsecured, interest free and repayable on demand.

8. TURNOVER AND SEGMENT INFORMATION

Profit Forest did not generate any turnover during the Relevant Period I. According to HKAS 14 "Segment Reporting", no business and geographical segmental information were presented.

9. LOSS FROM OPERATING ACTIVITIES

No director's emoluments were paid by Profit Forest during the Relevant Period I.

No auditors' remuneration and employees' emoluments were paid by Profit Forest during the Relevant Period I.

10. TAXATION

No provision for profits tax has been made as Profit Forest has no assessable profit subject to taxation for the Relevant Period I.

There are no material unprovided deferred tax assets and liabilities as at the balance sheet date.

11. LOSS PER SHARE

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

	At 30 November 2007
	HK$
Loss attributable to the equity holders of Profit Forest	6,162

	At 30 November 2007
	Number of shares
Number of issued ordinary shares	100

Basic and diluted loss per share for the period ended 30 November 2007 have been presented in a single line as there were no any dilutive events during the Relevant Period I.

12. EMPLOYEE BENEFITS EXPENSES

(a) Director's emolument for the Relevant Period I

	Fee	Salaries, allowance and bonus	Total
	HK$	*HK$*	*HK$*
Lei In Peng (appointed on 8 November 2007)	–	–	–

(b) Employees' emolument

No staff was employed by Profit Forest during the Relevant Period I.

13. CONTINGENT LIABILITIES AND CAPITAL COMMITMENT

Profit Forest did not have any significant contingent liabilities and capital commitment as at 30 November 2007.

14. SUBSEQUENT EVENTS

No significant events took place subsequent to 30 November 2007.

B. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for Profit Forest in respect of any period subsequent to 30 November 2007.

1. SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and of the assets and liabilities of Sky Advantage Limited for the period from 18 September 2007 (date of incorporation) to 30 November 2007, as extracted from the circular of the Company dated 13 February 2008, is set out below pursuant to Appendix 1B(31)(3) of the Listing Rules.

Results

	For the period from 18 September 2007 (date of incorporation) to 30 November 2007
	HK$
Turnover	–
Loss from operating activities	(6,162)
Loss for the period attributable to equity holder of Profit Forest	(6,162)
Basic and diluted loss per share	(62)
Assets and Liabilities	
Total asset	1
Total liabilities	(5,383)
Net assets	(5,382)

There were no qualification in the accountants report of Sky Advantage Limited issued by HLB for the period from 18 September 2007 (date of incorporation) to 30 November 2007, as set out in the circular of the Company dated 13 February 2008.

2. AUDITED FINANCIAL INFORMATION FOR THE PERIOD FROM 18 SEPTEMBER 2007 (DATE OF INCORPORATION) TO 30 NOVEMBER 2007

Set out below is a summary of the audited accounts of Sky Advantage Limited for the period from 18 September 2007 (date of incorporation) to 30 November 2007, as extracted from the accountants' report of Sky Advantage Limited contained in the circular of the Company dated 13 February 2008. References to pages number in this section are to the page numbers of such circular of the Company.

A. FINANCIAL INFORMATION OF SKY ADVANTAGE

Balance Sheet

	Notes	**At 30 November 2007** *HK$*
ASSET		
Non-current asset		
Intangible asset	*5*	1
Total asset		1
EQUITY		
Capital and reserves attributable to the equity holder of Sky Advantage		
Share capital	*6*	780
Accumulated loss		(6,162)
Total equity		(5,382)
LIABILITY		
Current liability		
Amount due to director	*7*	5,383
Total equity and liability		1
Net current liabilities		(5,383)
Total assets less current liabilities		(5,382)

The accompanying notes form an integral part of the Financial Information.

Income Statement

	Notes	For the period from 18 September 2007 (date of incorporation) to 30 November 2007 HK$
Turnover	8	–
Administrative expenses		(6,162)
Loss from operating activities	9	(6,162)
Taxation	10	–
Loss for the period		(6,162)
Attributable to:		
Equity holder of Sky Advantage		(6,162)
Loss per share	11	
Basic and diluted		(62)

All of Sky Advantage's operation is classed as continuing.

The accompanying notes form an integral part of the Financial Information.

Statement of Changes in Equity

	Share Capital *HK$*	**Accumulated Loss** *HK$*	**Total** *HK$*
At 18 September 2007	780	–	780
Loss for the period	–	(6,162)	(6,162)
At 30 November 2007	780	(6,162)	(5,382)

The accompanying notes form an integral part of the Financial Information.

Cash Flow Statement

	For the period from 18 September 2007 (date of incorporation) to 30 November 2007
	HK$
Cash flows from operating activities	
Loss before taxation	(6,162)
Operating loss before movements in working capital	(6,162)
Increase in amount due to director	5,383
Net cash used in operating activities	(779)
Cash flows from investing activities	
Payment to acquire an intangible asset	(1)
Net cash used in investing activities	(1)
Cash flows from financing activities	
Issue of shares	780
Net cash generated from financing activities	780
Increase in cash and cash equivalents	–
Cash and cash equivalents at the beginning of the period	–
Cash and cash equivalents at the end of the period	–
Analysis of the balances of cash and cash equivalents	
Cash and bank balances	–

The accompanying notes form an integral part of the Financial Information.

Notes to Financial Information

1. GENERAL INFORMATION

The registered office of Sky Advantage is at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, the British Virgin Islands. The holding company of Sky Advantage is Faith Mount, a company incorporated in the British Virgin Islands, ultimately hold by Ms. Luu. Sky Advantage was incorporated in the British Virgin Islands as an exempted company with limited liability. Sky Advantage is principally engaged in sharing the profit streams from the entertainment related business.

The financial statements are presented in Hong Kong dollars, which is the functional currency of Sky Advantage.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards issued by the HKICPA, and accounting principles generally accepted in Hong Kong ("HKFRSs") (which also include Hong Kong Accounting Standards and Interpretations) and the disclosure requirements of the Hong Kong Company Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as applicable to Accountants' Reports including in the listing documents of circulars. The accounting policies of Sky Advantage are materially consistent with the Company's accounting policies. The measurement basis used in the preparation of the Financial Information is historical cost convention except for financial assets and financial liabilities have been carried at fair value.

At 30 November 2007, Sky Advantage had net current liabilities of HK$5,383. Ms. Luu, the director of Sky Advantage, has confirmed that, it is her intention to provide continuing financial support to Sky Advantage, subject to the condition that the relationship between Ms. Luu and Sky Advantage does not change, so as to enable it to meet its liabilities as and when they fall due and to continue its business for the foreseeable future. Ms. Luu believes that Sky Advantage will continue as going concern. Consequently, the Financial Information has been prepared on a going concern basis.

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

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

Sky Advantage has not yet early applied the following new standards and interpretations that have been issued but are not yet effective. Sky Advantage is not yet in a position to determine whether these standards and interpretations will have significant impact on how the results of operations and financial position are prepared and presented. These standards and interpretations may result in changes in the future as to how the results and financial position are prepared and presented.

HKAS 23 (Revised)	Borrowing Costs[1]
HKFRS 8	Operating Segments[1]
HK(IFRIC)-Int 12	Service Concession Arrangements[2]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[3]
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[2]

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 January 2008
[3] Effective for annual periods beginning on or after 1 July 2008

Sky Advantage expects that the adoption of the above new standards and interpretations will not have any significant impact on Sky Advantage's financial statements in the period of initial application.

The accounting policies set out below have been applied consistently to the Relevant Period II presented in this Financial Information.

(a) Foreign currencies translation

(i) Functional and presentation currency

Items included in the financial statements of Sky Advantage are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in HK dollars, which is Sky Advantage's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

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

(b) Taxation

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

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes income statement items that are never taxable or deductible.

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investment in subsidiaries and associates, except where Sky Advantage is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

(c) Related party transactions

Parties are considered to be related to Sky Advantage if:

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

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of Sky Advantage or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, joint-controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of the employees of Sky Advantage, of any entity that is related party of Sky Advantage.

A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

(d) Provisions

Provisions are recognised when Sky Advantage has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligations.

(e) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of Sky Advantage. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the Financial Information. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

(f) Impairment losses (other than goodwill)

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

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

(g) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

3. FINANCIAL RISK MANAGEMENT

(a) Financial risk management objectives and policies

Sky Advantage's major financial instruments include amount due to director. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Foreign exchange risk

Sky Advantage is not exposed to significant foreign exchange risk arising form various currency exposures, primarily with respect to the Hong Kong dollars.

(ii) Price risk

Sky Advantage is not exposed to significant price risk. The management monitors the price movements and takes appropriate actions when it is required.

Credit risk

Sky Advantage is not exposed to significant credit risk.

Liquidity risk

Sky Advantage manages its liquidity risk by regularly monitoring current and expected liquidity requirements and ensuring sufficient liquid cash and intended lines of funding from major financial institutions to meet its liquidity requirements in the short and long term.

Cash flow and fair value interest rate risk

As Sky Advantage has no significant interest-bearing assets and liabilities, it is not exposed to significant cash flow and fair value interest rate risk.

(b) Capital risk management

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

In order to maintain or adjust the capital structure, Sky Advantage may adjust the amount of dividends paid to the shareholder, return capital to the shareholder, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, Sky Advantage monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total debt (including amount due to director, as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as equity, as shown in the balance sheet, plus net debt.

Sky Advantage's strategy is to maintain a reasonable gearing ratio. The gearing ratio at 30 November 2007 was as follows:

	At 30 November 2007 *HK$*
Total debt	5,383
Less: Cash and cash equivalents	–
Net debt	5,383
Total equity	(5,382)
Total capital	1
Gearing ratio	5,383

4. CRITICAL ACCOUNTING ESTIMATE AND JUDGEMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

Sky Advantage makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions 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.

(i) Impairment of intangible asset

Sky Advantage tests annually whether the intangible asset has suffered any impairment. The recoverable amount of an intangible asset or a cash generating unit is determined based on value-in-use calculations which require the use of assumptions and estimates.

5. INTANGIBLE ASSET

The intangible asset represents historical cost to acquire the right for the Neptune Ouro Profit from Neptune Ouro and Ms. Luu pursuant to the Neptune Ouro Profit Agreement at a consideration of HK$1.00.

The intangible asset is not subject to amortisation as the right has an indefinite useful life and is carried at cost less accumulated impairment losses.

6. SHARE CAPITAL

	Number of shares	**Share capital**	
		US$	*HK$*
Authorised:			
Ordinary shares at par value	50,000	–	–
Issued and fully paid:			
At 18 September 2007 and 30 November 2007	100	100	780

7. AMOUNT DUE TO DIRECTOR

The amount due to director is unsecured, interest free and repayable on demand.

8. TURNOVER AND SEGMENT INFORMATION

Sky Advantage did not generate any turnover during the Relevant Period II. According to HKAS 14 "Segment Reporting", no business and geographical segmental information were presented.

9. LOSS FROM OPERATING ACTIVITIES

No director's emoluments were paid by Sky Advantage during the Relevant Period II.

No auditors' remuneration and employees' emoluments were paid by Sky Advantage during the Relevant Period II.

10. TAXATION

No provision for profits tax has been made as Sky Advantage has no assessable profit subject to taxation for the Relevant Period II.

There are no material unprovided deferred tax assets and liabilities as at the balance sheet date.

11. LOSS PER SHARE

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

	At 30 November 2007
	HK$
Loss attributable to the equity holders of Sky Advantage	6,162

	At 30 November 2007
	Number of shares
Number of issued ordinary shares	100

Basic and diluted loss per share for the period ended 30 November 2007 have been presented in a single line as there were no any dilutive events during the Relevant Period II.

12. EMPLOYEE BENEFITS EXPENSES

(a) Director's emolument for the Relevant Period II

	Fee	**Salaries, allowance and bonus**	**Total**
	HK$	*HK$*	*HK$*
Luu Muoi Heng (appointed on 8 November 2007)	–	–	–

(b) Employees' emolument

No staff was employed by Sky Advantage during the Relevant Period II.

13. CONTINGENT LIABILITIES AND CAPITAL COMMITMENT

Sky Advantage did not have any significant contingent liabilities and capital commitment as at 30 November 2007.

14. SUBSEQUENT EVENTS

No significant events took place subsequent to 30 November 2007.

B. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for Sky Advantage in respect of any period subsequent to 30 November 2007.

Set out below is the unaudited pro forma financial information of the Enlarged Group extracted from the circular of the Company dated 13 February 2008. References to page number and defined terms in this section are to the page numbers of such circular of the Company. The term "Acquisition I" used in this section refers to the acquisition of Profit Forest by the Group and the term "Enlarged Group I" use in this section excludes Best Max.

UNAUDITED PRO FORMA FINANCIAL INFORMATION ON THE ENLARGED GROUP I

Introduction

The Unaudited Pro Forma Financial Information on the Enlarged Group I has been prepared to illustrate the effect of Acquisition I.

The Unaudited Pro Forma Financial Information on the Enlarged Group I has been prepared in accordance with the Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of Acquisition I as if Acquisition I took place on 30 June 2007 for the consolidated balance sheet and on 1 July 2006 for the consolidated income statement and consolidated cash flow statement.

The unaudited pro forma consolidated balance sheet, unaudited pro forma consolidated income statement and unaudited pro forma cash flow statement of the Enlarged Group I is prepared based on the audited consolidated balance sheet of the Group as at 30 June 2007, the audited consolidated income statement and audited consolidated cash flow statement of the Group for the year ended 30 June 2007 as set out in Appendix III to the Circular, the audited balance sheet of Profit Forest as at 30 November 2007, the audited income statement and audited cash flow statement of Profit Forest for the period from 6 July 2007 (date of incorporation) to 30 November 2007 as set out in Appendix II to the Circular, after making pro forma adjustments relating to Acquisition I that are (i) directly attributable to the transaction; and (ii) factually supportable.

The accompanying Unaudited Pro Forma Financial Information on the Enlarged Group I has been prepared by the directors of the Company for illustrative purpose only and is based on a number of assumptions, estimates, uncertainties. Accordingly, the Unaudited Pro Forma Financial Information on the Enlarged Group I does not purport to describe the actual financial position of the Enlarged Group I that would have been attained has the Acquisition I been completed on 30 June 2007 and to describe the actual financial results and cash flows of the Enlarged Group I that would have been attained has the Acquisition I been completed on 1 July 2006, nor purport to predict the Enlarged Group I's future financial position or results of operations.

The Unaudited Pro Forma Financial Information on the Enlarged Group I should be read in conjunction with the Accountants' Report on the Profit Forest Limited as set out in Appendix II, the historical financial information on the Group as set out in Appendix III and other financial information included elsewhere in the Circular.

The Unaudited Pro Forma Financial Information on the Enlarged Group I has been prepared by the directors of the Company for illustrative purposes only and because of its nature, it may not give a true picture of financial position of the Enlarged Group I following completion of Acquisition I.

(I) Unaudited Pro Forma Consolidated Balance Sheet of the Enlarged Group I

The following is the unaudited pro forma consolidated balance sheet of the Enlarged Group I, assuming that Acquisition I has been completed on 30 June 2007. The information is based on the audited consolidated financial statements of the Group as at 30 June 2007 and the audited financial information of Profit Forest as at 30 November 2007 as set out in Appendices III and II to the Circular respectively. Such information is adjusted to reflect the effect of Acquisition I.

As the unaudited pro forma consolidated balance sheet of the Enlarged Group I has been prepared for illustrative purpose only and because of its nature, it may not give a true picture of the financial position of the Enlarged Group I as at the date to which it is made up to or at any future date.

	Audited Consolidated Balance Sheet of the Group as at 30 June 2007	Audited Balance Sheet of Profit Forest as at 30 November 2007	Sub-total	Pro forma adjustments		Unaudited Pro Forma Consolidated Balance Sheet of the Enlarged Group I as at 30 June 2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
ASSETS						
Non-current assets						
Property, plant and equipment	161,853	–	161,853			161,853
Investment property	28,550	–	28,550			28,550
Prepaid land premiums	2,579	–	2,579			2,579
Goodwill	45	–	45			45
Interest in a profit sharing agreement	–	–	–	1,360,005	*2*	1,360,005
	193,027	–	193,027			1,553,032
Current assets						
Inventories	17,310	–	17,310			17,310
Trade and other receivables	50,161	–	50,161			50,161
Loan receivables	28,000	–	28,000			28,000
Amount due from a related company	710	–	710			710
Financial assets at fair value through profit or loss	1,782	–	1,782			1,782
Pledged bank deposits	68	–	68			68
Cash at securities company	38,526	–	38,526			38,526
Cash and bank balances	122,840	–	122,840	(82,440)	*1(i)*	40,400
	259,397	–	259,397			176,957
Total assets	452,424	–	452,424			1,729,989

	Audited Consolidated Balance Sheet of the Group as at 30 June 2007	Audited Balance Sheet of Profit Forest as at 30 November 2007	Sub-total	Pro forma adjustments	Notes	Unaudited Pro Forma Consolidated Balance Sheet of the Enlarged Group I as at 30 June 2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
EQUITY						
Capital and reserves						
Share capital	287,953	1	287,954	143,999	*3*	431,953
Reserves	(7,345)	(6)	(7,351)	398,779	*4*	391,428
	280,608	(5)	280,603			823,381
Minority interest	15,588	–	15,588	204,000	*5*	219,588
Total equity	296,196	(5)	296,191			1,042,969
LIABILITIES						
Current liabilities						
Bank and other borrowings	374	–	374			374
Trade and other payables	41,258	–	41,258	5	*6*	41,263
Deposits received	81,813	–	81,813			81,813
Amount due to a minority shareholder	29,100	–	29,100			29,100
Amount due to a director	–	5	5	(5)	*6*	–
Tax payable	3,290	–	3,290			3,290
	155,835	5	155,840			155,840
Non-current liabilities						
Convertible bonds	–	–	–	463,924	*1(ii)*	463,924
Deferred tax liabilities	393	–	393	66,863	*7*	67,256
	393	–	393			531,180
Total liabilities	156,228	5	156,233			687,020
Total equity and liabilities	452,424	–	452,424			1,729,989,
Net current assets/(liabilities)	103,562	(5)	103,557			21,117
Total assets less current liabilities	296,589	(5)	296,584			1,574,149

(II) Unaudited Pro Forma Consolidated Income Statement of the Enlarged Group I

The following is the unaudited pro forma consolidated income statement of the Enlarged Group I, assuming that Acquisition I has been completed on 1 July 2006. The information is based on the audited consolidated financial statements of the Group for the year ended 30 June 2007 and the audited financial information of Profit Forest for the period from 6 July 2007 (date of incorporation) to 30 November 2007 as set out in Appendices III and II to the Circular respectively. Such information is adjusted to reflect the effect of Acquisition I.

As the unaudited pro forma consolidated income statement of the Enlarged Group I has been prepared for illustrative purpose only and because of its nature, it may not give a true picture of the results of the Enlarged Group I for the year ended to which it is made up to or for any future period.

	Audited Consolidated Income Statement of the Group for the year ended 30 June 2007	**Audited Income Statement of Profit Forest for the period from 6 July 2007 (date of incorporation) to 30 November 2007**	**Sub-total**	**Pro forma adjustments**		**Unaudited Pro Forma Consolidated Income Statement of the Enlarged Group I for the year ended 30 June 2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
Turnover	129,959	–	129,959			129,959
Cost of sales	(99,085)	–	(99,085)			(99,085)
Gross profit	30,874	–	30,874			30,874
Other revenue	4,952	–	4,952			4,952
Other income	1,365	–	1,365			1,365
Distribution costs	(1,347)	–	(1,347)			(1,347)
Negative goodwill	–	–	–	11,560	*4(iii)*	11,560
Administrative expenses	(17,995)	(6)	(18,001)			(18,001)
Equity-settled share-based payments expenses	(6,068)	–	(6,068)			(6,068)
Profit/(loss) from operating activities	11,781	(6)	11,775			23,335
Finance costs	(1,593)	–	(1,593)	(37,177)	*8*	(38,770)
Profit/(loss) before taxation	10,188	(6)	10,182			(15,435)
Taxation	(797)	–	(797)	5,025	*12*	(4,228)
Net profit/(loss) for the year/period	9,391	(6)	9,385			(11,207)

	Audited Consolidated Income Statement of the Group for the year ended 30 June 2007	Audited Income Statement of Profit Forest for the period from 6 July 2007 (date of incorporation) to 30 November 2007	Sub-total	Pro forma adjustments		Unaudited Pro Forma Consolidated Income Statement of the Enlarged Group I for the year ended 30 June 2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
Attributable to:						
The equity holders of the Company	4,645	(6)	4,639			(15,953)
Minority interest	4,746	–	4,746			4,746
	9,391	(6)	9,385			(11,207)
Earnings/(loss) per share contributable to the equity holders of the Company – Basic and diluted	0.34 cents	(6,162.00) cents			*9(i) & (ii)*	(0.77) cents

(III) Unaudited Pro Forma Consolidated Cash Flow Statement of the Enlarged Group I

The following is the unaudited pro forma consolidated cash flow statement of the Enlarged Group I, assuming that Acquisition I has been completed on 1 July 2006. The information is based on the audited consolidated financial statements of the Group for the year ended 30 June 2007, the audited financial statements of Profit Forest for the period from 6 July 2007 (date of incorporation) to 30 November 2007 as set out in Appendices III and II to the Circular respectively. Such information is adjusted to reflect the effect of Acquisition I.

As the unaudited pro forma consolidated cash flow statement of the Enlarged Group I has been prepared for illustrative purpose only and because of its nature, it may not give a true picture of the cash flows of the Enlarged Group I for the year ended to which it is made up to or for any future period.

	Audited Consolidated Cash Flow Statement of the Group for the year ended 30 June 2007	**Audited Cash Flow Statement of Profit Forest for the period from 6 July 2007 (date of incorporation) to 30 November 2007**	**Sub-total**	**Pro forma adjustments**		**Unaudited Pro Forma Consolidated Cash Flow Statement of the Enlarged Group I for the year ended 30 June 2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
Operating activities						
Profit/(loss) before taxation	10,188	(6)	10,182	(25,617)	*10*	(15,435)
Adjustments for:						
Interest income	(4,678)	–	(4,678)			(4,678)
Dividend income	(3)	–	(3)			(3)
Equity-settled share-based payments expenses	6,068	–	6,068			6,068
Fair value gain on financial assets at fair value through profit or loss	(1,215)	–	(1,215)			(1,215)
Fair value gain on investment properties	(150)	–	(150)			(150)
Negative goodwill	–	–	–	(11,560)	*4(iii)*	(11,560)
Amortisation	64	–	64			64
Depreciation	18,319	–	18,319			18,319
Finance costs	1,593	–	1,593	37,177	*8*	38,770
Impairment loss recognised on obsolescence of inventories	963	–	963			963
Impairment loss recognised in respect of trade receivables	776	–	776			776
Impairment loss recognised in respect of other receivables	477	–	477			477
Written off on trade receivables	13	–	13			13

	Audited Consolidated Cash Flow Statement of the Group for the year ended 30 June 2007	Audited Cash Flow Statement of Profit Forest for the period from 6 July 2007 (date of incorporation) to 30 November 2007	Sub-total	Pro forma adjustments	Notes	Unaudited Pro Forma Consolidated Cash Flow Statement of the Enlarged Group I for the year ended 30 June 2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
Operating profit/(loss) before working capital changes	32,415	(6)	32,409			32,409
Increase in inventories	(955)	–	(955)			(955)
Increase in trade and other receivables	(16,742)	–	(16,742)			(16,742)
Increase in loan receivables	(28,000)	–	(28,000)			(28,000)
Increase in amount due to a director	–	5	5	(5)	*6*	–
Increase in trade and other payables	2,193	–	2,193	5	*6*	2,198
Cash used in operations	(11,089)	(1)	(11,090)			(11,090)
Interest received	3,366	–	3,366			3,366
Hong Kong profits tax paid	(896)	–	(896)			(896)
Net cash outflow from operating activities	(8,619)	(1)	(8,620)			(8,620)
Cash flows from investing activities						
Payments to acquire property, plant and equipment	(300)	–	(300)			(300)
Dividend received	3	–	3			3
Decrease in pledged bank deposits	4,383	–	4,383			4,383
Payments to acquire a subsidiary	–	–	–	(82,440)	*1(i)*	(82,440)
Net cash inflow/(outflow) from investing activities	4,086	–	4,086			(78,354)
Cash flows from financing activities						
Deposits received from open offer	81,813	–	81,813			81,813
Issue of shares	–	1	1	(1)	*3(ii)*	–
Repayment of loans	(1,564)	–	(1,564)			(1,564)
Finance costs paid	(989)	–	(989)	(8,460)	*11*	(9,449)
Net cash inflow from financing activities	79,260	1	79,261			70,800

	Audited Consolidated Cash Flow Statement of the Group for the year ended 30 June 2007	Audited Cash Flow Statement of Profit Forest for the period from 6 July 2007 (date of incorporation) to 30 November 2007	Sub-total	Pro forma adjustments	Notes	Unaudited Pro Forma Consolidated Cash Flow Statement of the Enlarged Group I for the year ended 30 June 2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
Net increase/(decrease) in cash and cash equivalents	74,727	–	74,727			(16,174)
Cash and cash equivalents at the beginning of the year/period	86,265	–	86,265			86,265
Cash and cash equivalents at the end of the year/period	160,992	–	160,992			70,091
Analysis of balances of cash and cash equivalents						
Cash and bank balances	122,840	–	122,840			31,939
Cash at securities company	38,526	–	38,526			38,526
Bank overdrafts	(374)	–	(374)			(374)
	160,992	–	160,992			70,091

(IV) Notes to the unaudited Pro Forma Financial Information on the Enlarged Group I

Under HKFRS 3 Business Combinations ("HKFRS 3"), the Company will apply the purchase method to account for Acquisition I. In applying the purchase method, the identifiable assets, liabilities and contingent liabilities of Profit Forest will be recorded on the consolidated balance sheet of the Company at their fair values at the date of completion. Any goodwill or discount arising on Acquisition I will be determined as the excess or deficit of the purchase price to be incurred by the Company over the Company's interests in the net fair value of the identifiable assets, liabilities and contingent liabilities of Profit Forest at the date of completion. Negative goodwill resulting from the business combinations should be recognised immediately in the consolidated income statement.

The adjustments reflected the following:

1. The consideration for Acquisition I to be satisfied by Stand Great Limited is approximately HK$1,144,440,000. The consideration is to be satisfied by:

	HK$'000
Cash consideration *(Note 1(i))*	82,440
Convertible bonds (the "Convertible Bond I") *(Note 1(ii))*	846,000
Consideration shares (the "Consideration Share I") *(Note 1(iii))*	216,000
	1,144,440

(i) The cash consideration would be settled by Stand Great Limited, (1) paying a refundable deposit in a sum of HK$25,000,000 to Ultra Choice Limited and (2) paying HK$57,440,000 in cash assuming that Acquisition I had been completed on 30 June 2007. The cash consideration shall be funded by the Company's internal resources.

(ii) Assuming Convertible Bond I is issued on 30 June 2007, the Company has separated Convertible Bond I into liability and equity portions in accordance with Hong Kong Accounting Standards 32 "Financial Instrument: Disclosure and Presentation".

In preparing the Unaudited Pro Forma Financial Information on the Enlarged Group I, the face value of Convertible Bond I of HK$846,000,000 has taken to be its fair value as if it was issued upon completion of Acquisition I. The adjustment of approximately HK$463,924,000 represents the liability portion of Convertible Bond I based on the calculation of the discounted cash flow method. The Company has taken the prime rate of 7.5% p.a. as at 30 June 2007 as the discount rate for the calculation of the liability portion of Convertible Bond I. Please refer to the following for the details of the liability and equity portions of Convertible Bond I.

	HK$'000
Liability portion	
– Non-current liabilities	463,924
– Deferred tax liabilities *(Note 7)*	66,863
	530,787
Equity portion *(Note 4(ii))*	315,213
	846,000

(iii) Assuming the issue price of HK$0.30 per share was the fair value of the Company as at 30 June 2007, HK$216,000,000 would be satisfied by procuring the Company to allot and issue the Consideration Share I. Upon the completion of Acquisition I, the share capital and share premium of the Company will increase by approximately HK$144,000,000 and $72,000,000 respectively.

2. The pro forma adjustment of HK$1,360,005,000 represents the fair value adjustments of the interest in a profit sharing agreement over the carrying amounts as at 30 November 2007, as if Acquisition I was completed on 30 June 2007.

   The fair values of these assets as at 30 June 2007 are determined with reference to valuation at 30 November 2007 carried out by BMI Appraisal Limited, an independent qualified professional valuers not connected to the Enlarged Group I.

   According to the valuation information provided by BMI Appraisal Limited, the valuation of the interest in a profit sharing agreement is based on the market approach.

3. The pro forma adjustment of HK$143,999,000 represents the sum of the following:

   (i) Assuming the issuance of 720,000,000 Consideration Share I at par value of HK$0.2 by the Company, the share capital of the Company would increase approximately by HK$144,000,000.

   (ii) The adjustment of approximately HK$1,000 represents the elimination of the share capital of Profit Forest upon the consolidation of the Unaudited Pro Forma Financial Information on the Enlarged Group I.

4. The pro forma adjustment of approximately HK$398,779,000 represents the net effect of elimination of the pre-acquisition reserves, share premium arising from the issuance of Consideration Share I and the equity component of Convertible Bond I. Details are set out as follows:

	HK$'000
Elimination of pre-acquisition reserves	
– Accumulated loss	6
Share premium *(Note 4(i))*	72,000
Convertible Bond I *(Note 4(ii))*	315,213
Negative goodwill arising from Acquisition I *(Note 4(iii))*	11,560
	398,779

   (i) Assuming the issue price of HK$0.3 was the fair value of the share of the Company at 30 June 2007, share premium of approximately HK$72,000,000 was recorded in the reserves resulting from the issuance of the Consideration Share I, as described in Note 1(iii) above.

   (ii) The equity components of the Convertible Bond I were approximately HK$315,213,000. Please also refer to Note 1(ii) for the details of the Convertible Bond I.

   (iii) The negative goodwill arising from Acquisition I was calculated on the basis of the excess of the consideration paid over the net fair value of the identifiable assets, liabilities and contingent liabilities of Profit Forest. Details are set out as follows:

	HK$'000
The consideration	1,144,440
Less: Fair value of 85% interest in the net asset value in Profit Forest	(1,156,000)
Negative goodwill arising from Acquisition I	(11,560)

Note:

Net book value of Profit Forest as at 30 November 2007	(5)
Fair value adjustments on a profit sharing agreement *(Note 2)*	1,360,005
Net assets value of Profit Forest at fair value as at 30 November 2007	1,360,000
Equity interest to be acquired	85%
Fair value of 85% interest in Profit Forest	1,156,000

5. The pro forma adjustment represents minority interest of approximately HK$204,000,000 as Ultra Choice Limited would become a minority shareholder having 15% equity interest in Profit Forest upon completion of Acquisition I.

6. The pro forma adjustment of approximately HK$5,000 represents re-allocation of amount due to a director of Profit Forest to other payable on consolidation.

7. The pro forma adjustment represents deferred tax liabilities of approximately HK$66,863,000 arising from Convertible Bond I. Please also refer to Note 1 (ii) for the details of the Convertible Bond I.

8. The pro forma adjustment of approximately HK$37,177,000 represents an annual finance cost of imputed interest expenses of Convertible Bond I to be expensed in the consolidated income statement of the Enlarged Group I with the imputed interest rate of 8% for the year ended 30 June 2007. These interest expenses shall have continuing effect on the financial statements of the Enlarged Group I in subsequent years.

9(i). The calculation of pro forma basic loss per share is based on the Enlarged Group I's pro forma net loss attributable to the equity holders of the Company of HK$15,953,000 and the number of ordinary shares of 2,075,927,000 of the Enlarged Group I upon the completion of Acquisition I.

The number of ordinary shares of 2,075,927,000 is derived from:

	HK$'000
Audited weighted average number of ordinary shares for the year ended 30 June 2007	1,355,927
Pro forma adjustment for ordinary shares issued as part of acquisition of 85% issued shares	720,000
Unaudited pro forma weighted average number of ordinary shares for the year ended 30 June 2007	2,075,927

9(ii). By assuming the Convertible Bond I was converted into ordinary shares on 1 July 2006, the Convertible Bond I was anti-dilutive because its interest per ordinary share obtainable on conversion exceeds basis loss per share.

10. The pro forma adjustment to the consolidated cash flow statement of approximately HK$25,617,000 represents the recognition of the finance cost of approximately HK$37,177,000 and negative goodwill of approximately HK$11,560,000 for the purpose of adjusting the profit before taxation.

11. The pro forma adjustment of HK$8,460,000 represents the actual payments of interests for Convertible Bond I with a coupon rate of 1% for the year ended 30 June 2007.

12. The pro forma adjustment of approximately HK$5,025,000 represents the adjustment of the deferred tax effect of Convertible Bond I for the year ended 30 June 2007.

Set out below is the unaudited pro forma financial information of the Enlarged Group extracted from the circular of the Company dated 13 February 2008. References to page number and defined terms in this section are to the page numbers of such circular of the Company. The term "Acquisition II" used in this section refers to the acquisition of Sky Advantage by the Group and the term "Enlarged Group II" use in this section excludes Best Max.

UNAUDITED PRO FORMA FINANCIAL INFORMATION ON THE ENLARGED GROUP II

Introduction

The Unaudited Pro Forma Financial Information on the Enlarged Group II has been prepared to illustrate the effect of Acquisition II.

The Unaudited Pro Forma Financial Information on the Enlarged Group II has been prepared in accordance with the Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of Acquisition II as if Acquisition II took place on 30 June 2007 for the consolidated balance sheet and on 1 July 2006 for the consolidated income statement and consolidated cash flow statement.

The unaudited pro forma consolidated balance sheet, unaudited pro forma consolidated income statement and unaudited pro forma cash flow statement of the Enlarged Group II is prepared based on the audited consolidated balance sheet of the Group as at 30 June 2007, the audited consolidated income statement and audited consolidated cash flow statement of the Group for the year ended 30 June 2007 as set out in Appendix III to the Circular, the audited balance sheet of Sky Advantage as at 30 November 2007, the audited income statement and audited cash flow statement of Sky Advantage for the period from 18 September 2007 (date of incorporation) to 30 November 2007 as set out in Appendix II to the Circular, after making pro forma adjustments relating to Acquisition II that are (i) directly attributable to the transaction; and (ii) factually supportable.

The accompanying Unaudited Pro Forma Financial Information on the Enlarged Group II has been prepared by the directors of the Company for illustrative purpose only and is based on a number of assumptions, estimates, uncertainties. Accordingly, the Unaudited Pro Forma Financial Information on the Enlarged Group II does not purport to describe the actual financial position of the Enlarged Group II that would have been attained has the Acquisition II been completed on 30 June 2007 and to describe the actual financial results and cash flows of the Enlarged Group II that would have been attained has the Acquisition II been completed on 1 July 2006, nor purport to predict the Enlarged Group II's future financial position or results of operations.

The Unaudited Pro Forma Financial Information on the Enlarged Group II should be read in conjunction with the Accountants' Report on the Sky Advantage Limited as set out in Appendix II, the historical financial information on the Group as set out in Appendix III and other financial information included elsewhere in the Circular.

The Unaudited Pro Forma Financial Information on the Enlarged Group II has been prepared by the directors of the Company for illustrative purposes only and because of its nature, it may not give a true picture of financial position of the Enlarged Group II following completion of Acquisition II.

(I) Unaudited Pro Forma Consolidated Balance Sheet of the Enlarged Group II

The following is the unaudited pro forma consolidated balance sheet of the Enlarged Group II, assuming that Acquisition II has been completed on 30 June 2007. The information is based on the audited consolidated financial statements of the Group as at 30 June 2007 and the audited financial information of Sky Advantage as at 30 November 2007 as set out in Appendices III and II to the Circular respectively. Such information is adjusted to reflect the effect of Acquisition II.

As the unaudited pro forma consolidated balance sheet of the Enlarged Group II has been prepared for illustrative purpose only and because of its nature, it may not give a true picture of the financial position of the Enlarged Group II as at the date to which it is made up to or at any future date.

	Audited Consolidated Balance Sheet of the Group as at 30 June 2007	**Audited Balance Sheet of Sky Advantage as at 30 November 2007**	**Sub-total**	**Pro forma adjustments**		**Unaudited Pro Forma Consolidated Balance Sheet of the Enlarged Group II as at 30 June 2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
ASSETS						
Non-current assets						
Property, plant and equipment	161,853	–	161,853			161,853
Investment property	28,550	–	28,550			28,550
Prepaid land premiums	2,579	–	2,579			2,579
Goodwill	45	–	45			45
Interest in a profit sharing agreement	–	–	–	450,005	*2*	450,005
	193,027	–	193,027			643,032
Current assets						
Inventories	17,310	–	17,310			17,310
Trade and other receivables	50,161	–	50,161			50,161
Loan receivables	28,000	–	28,000			28,000
Amount due from a related company	710	–	710			710
Financial assets at fair value through profit or loss	1,782	–	1,782			1,782
Pledged bank deposits	68	–	68			68
Cash at securities company	38,526	–	38,526			38,526
Cash and bank balances	122,840	–	122,840	(27,480)	*1(i)*	95,360
	259,397	–	259,397			231,917
Total assets	452,424	–	452,424			874,949

	Audited Consolidated Balance Sheet of the Group as at 30 June 2007	Audited Balance Sheet of Sky Advantage as at 30 November 2007	Sub-total	Pro forma adjustments		Unaudited Pro Forma Consolidated Balance Sheet of the Enlarged Group II as at 30 June 2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
EQUITY						
Capital and reserves						
Share capital	287,953	1	287,954	143,999	*3*	431,953
Reserves	(7,345)	(6)	(7,351)	124,444	*4*	117,093
	280,608	(5)	280,603			549,046
Minority interest	15,588	–	15,588	67,500	*5*	83,088
Total equity	296,196	(5)	296,191			632,134
LIABILITIES						
Current liabilities						
Bank and other borrowings	374	–	374			374
Trade and other payables	41,258	–	41,258	5	*6*	41,263
Deposits received	81,813	–	81,813			81,813
Amount due to a minority shareholder	29,100	–	29,100			29,100
Amount due to a director	–	5	5	(5)	*6*	–
Tax payable	3,290	–	3,290			3,290
	155,835	5	155,840			155,840
Non-current liabilities						
Convertible bonds	–	–	–	75,676	*1(ii)*	75,676
Deferred tax liabilities	393	–	393	10,906	*7*	11,299
	393	–	393			86,975
Total liabilities	156,228	5	156,233			242,815
Total equity and liabilities	452,424	–	452,424			874,949
Net current assets/ (liabilities)	103,562	(5)	103,557			76,077
Total assets less current liabilities	296,589	(5)	296,584			719,109

(II) Unaudited Pro Forma Consolidated Income Statement of the Enlarged Group II

The following is the unaudited pro forma consolidated income statement of the Enlarged Group II, assuming that Acquisition II has been completed on 1 July 2006. The information is based on the audited consolidated financial statements of the Group for the year ended 30 June 2007 and the audited financial information of Sky Advantage for the period from 18 September 2007 (date of incorporation) to 30 November 2007 as set out in Appendices III and II to the Circular respectively. Such information is adjusted to reflect the effect of Acquisition II.

As the unaudited pro forma consolidated income statement of the Enlarged Group II has been prepared for illustrative purpose only and because of its nature, it may not give a true picture of the results of the Enlarged Group II for the year ended to which it is made up to or for any future period.

	Audited Consolidated Income Statement of the Group for the year ended 30 June 2007	**Audited Income Statement of Sky Advantage for the period from 18 September 2007 (date of incorporation) to 30 November 2007**	**Sub-total**	**Pro forma adjustments**		**Unaudited Pro Forma Consolidated Income Statement of the Enlarged Group II for the year ended 30 June 2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
Turnover	129,959	–	129,959			129,959
Cost of sales	(99,085)	–	(99,085)			(99,085)
Gross profit	30,874	–	30,874			30,874
Other revenue	4,952	–	4,952			4,952
Other income	1,365	–	1,365			1,365
Negative goodwill	–	–	–	1,020	*4(iii)*	1,020
Distribution costs	(1,347)	–	(1,347)			(1,347)
Administrative expenses	(17,995)	(6)	(18,001)			(18,001)
Equity-settled share-based payments expenses	(6,068)	–	(6,068)			(6,068)
Profit/(loss) from operating activities	11,781	(6)	11,775			12,795
Finance costs	(1,593)	–	(1,593)	(6,064)	*8*	(7,657)
Profit/(loss) before taxation	10,188	(6)	10,182			5,138
Taxation	(797)	–	(797)	820	*12*	23
Net profit/(loss) for the year/period	9,391	(6)	9,385			5,161

	Audited Consolidated Income Statement of the Group for the year ended 30 June 2007	Audited Income Statement of Sky Advantage for the period from 18 September 2007 (date of incorporation) to 30 November 2007	Sub-total	Pro forma adjustments		Unaudited Pro Forma Consolidated Income Statement of the Enlarged Group II for the year ended 30 June 2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
Attributable to:						
The equity holders of the Company	4,645	(6)	4,639			415
Minority interest	4,746	–	4,746			4,746
	9,391	(6)	9,385			5,161
Earnings/(loss) per share contributable to the equity holders of the Company – Basic and diluted	0.34 cents	(6,162.00) cents			*9(i) & (ii)*	0.02 cents

(III) Unaudited Pro Forma Consolidated Cash Flow Statement of the Enlarged Group II

The following is the unaudited pro forma consolidated cash flow statement of the Enlarged Group II, assuming that Acquisition II has been completed on 1 July 2006. The information is based on the audited consolidated financial statements of the Group for the year ended 30 June 2007, the audited financial statements of Sky Advantage for the period from 18 September 2007 (date of incorporation) to 30 November 2007 as set out in Appendices III and II to the Circular respectively. Such information is adjusted to reflect the effect of Acquisition II.

As the unaudited pro forma consolidated cash flow statement of the Enlarged Group II has been prepared for illustrative purpose only and because of its nature, it may not give a true picture of the cash flows of the Enlarged Group II for the year ended to which it is made up to or for any future period.

	Audited Consolidated Cash Flow Statement of the Group for the year ended 30 June 2007	Audited Cash Flow Statement of Sky Advantage for the period from 18 September 2007 (date of incorporation) to 30 November 2007	Sub-total	Pro forma adjustments	Notes	Unaudited Pro forma Consolidated Cash Flow Statement of the Enlarged Group II for the year ended 30 June 2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
Operating activities						
Profit/(loss) before taxation	10,188	(6)	10,182	(5,044)	*10*	5,138
Adjustments for:						
Interest income	(4,678)	–	(4,678)			(4,678)
Dividend income	(3)	–	(3)			(3)
Equity-settled share-based payments expenses	6,068	–	6,068			6,068
Fair value gain on financial assets at fair value through profit or loss	(1,215)	–	(1,215)			(1,215)
Fair value gain on investment properties	(150)	–	(150)			(150)
Negative goodwill	–	–	–	(1,020)	*4(iii)*	(1,020)
Amortisation	64	–	64			64
Depreciation	18,319	–	18,319			18,319
Finance costs	1,593	–	1,593	6,064	*8*	7,657
Impairment loss recognised on obsolescence of inventories	963	–	963			963
Impairment loss recognised in respect of trade receivables	776	–	776			776
Impairment loss recognised in respect of other receivables	477	–	477			477
Written off on trade receivables	13	–	13			13

	Audited Consolidated Cash Flow Statement of the Group for the year ended 30 June 2007	Audited Cash Flow Statement of Sky Advantage for the period from 18 September 2007 (date of incorporation) to 30 November 2007	Sub-total	Pro forma adjustments	Notes	Unaudited Pro forma Consolidated Cash Flow Statement of the Enlarged Group II for the year ended 30 June 2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*		*HK$'000*
Operating profit/(loss) before working capital changes	32,415	(6)	32,409			32,409
Increase in inventories	(955)	–	(955)			(955)
Increase in trade and other receivables	(16,742)	–	(16,742)			(16,742)
Increase in loan receivables	(28,000)	–	(28,000)			(28,000)
Increase in amount due to a director	–	5	5	(5)	*6*	–
Increase in trade and other payables	2,193	–	2,193	5	*6*	2,198
Cash used in operations	(11,089)	(1)	(11,090)			(11,090)
Interest received	3,366	–	3,366			3,366
Hong Kong profits tax paid	(896)	–	(896)			(896)
Net cash outflow from operating activities	(8,619)	(1)	(8,620)			(8,620)
Cash flows from investing activities						
Payments to acquire property, plant and equipment	(300)	–	(300)			(300)
Dividend received	3	–	3			3
Decrease in pledged bank deposits	4,383	–	4,383			4,383
Payments to acquire a subsidiary	–	–	–	(27,480)	*1(i)*	(27,480)
Net cash inflow/(outflow) from investing activities	4,086	–	4,086			(23,394)
Cash flows from financing activities						
Deposits received from open offer	81,813	–	81,813			81,813
Issue of shares	–	1	1	(1)	*3(ii)*	–
Repayment of loans	(1,564)	–	(1,564)			(1,564)
Finance costs paid	(989)	–	(989)	(1,380)	*11*	(2,369)
Net cash inflow from financing activities	79,260	1	79,261			77,880

	Audited Consolidated Cash Flow Statement of the Group for the year ended 30 June 2007	Audited Cash Flow Statement of Sky Advantage for the period from 18 September 2007 (date of incorporation) to 30 November 2007	Sub-total	Pro forma adjustments	Notes	Unaudited Pro forma Consolidated Cash Flow Statement of the Enlarged Group II for the year ended 30 June 2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
Net increase in cash and cash equivalents	74,727	–	74,727			45,866
Cash and cash equivalents at the beginning of the year/period	86,265	–	86,265			86,265
Cash and cash equivalents at the end of the year/period	160,992	–	160,992			132,131
Analysis of balances of cash and cash equivalents						
Cash and bank balances	122,840	–	122,840			93,979
Cash at securities company	38,526	–	38,526			38,526
Bank overdrafts	(374)	–	(374)			(374)
	160,992	–	160,992			132,131

(IV) Notes to the Unaudited Pro Forma Financial Information on the Enlarged Group II

Under HKFRS 3 Business Combinations ("HKFRS 3"), the Company will apply the purchase method to account for Acquisition II. In applying the purchase method, the identifiable assets, liabilities and contingent liabilities of Sky Advantage will be recorded on the consolidated balance sheet of the Company at their fair values at the date of completion. Any goodwill or discount arising on the Acquisition II will be determined as the excess or deficit of the purchase price to be incurred by the Company over the Company's interests in the net fair value of the identifiable assets, liabilities and contingent liabilities of Sky Advantage at the date of completion. Negative goodwill resulting from the business combinations should be recognised immediately in the consolidated income statement.

The adjustments reflected the following:

1. The consideration for Acquisition II to be satisfied by Hero Will Limited is approximately HK$381,480,000. The consideration is to be satisfied by:

	HK$'000
Cash consideration *(Note 1(i))*	27,480
Convertible bonds (the "Convertible Bond II") *(Note 1(ii))*	138,000
Consideration shares (the "Consideration Share II") *(Note 1(iii))*	216,000
	381,480

(i) The cash consideration would be settled by Hero Will Limited, (1) paying a refundable deposit in a sum of HK$10,000,000 to Faith Mount Limited and (2) paying HK$17,480,000 in cash to Faith Mount assuming that Acquisition II had been completed on 30 June 2007. The cash consideration shall be funded by the Company's internal resources.

(ii) Assuming Convertible Bond II is issued on 30 June 2007, the Company has separated Convertible Bond II into liability and equity portions in accordance with Hong Kong Accounting Standards 32 "Financial Instrument: Disclosure and Presentation".

In preparing the Unaudited Pro Forma Financial Information on the Enlarged Group II, the face value of Convertible Bond II of HK$138,000,000 has taken to be its fair value as if it was issued upon completion of Acquisition II. The adjustment of approximately HK$75,676,000 represents the liability portion of Convertible Bond II based on the calculation of the discounted cash flow method. The Company has taken the prime rate of 7.5% p.a. as at 30 June 2007 as the discount rate for the calculation of the liability portion of Convertible Bond II. Please refer to the following for the details of the liability and equity portions of Convertible Bond II.

	HK$'000
Liability portion	
– Non-current liabilities	75,676
– Deferred tax liabilities *(Note 7)*	10,906
	86,582
Equity portion *(Note 4(ii))*	51,418
	138,000

(iii) Assuming the issue price of HK$0.30 per share was the fair value of the Company as at 30 June 2007, HK$216,000,000 would be satisfied by procuring the Company to allot and issue the Consideration Share II. Upon the completion of Acquisition II, the share capital and share premium of the Company will increase by approximately HK$144,000,000 and HK$72,000,000 respectively.

2. The pro forma adjustment of HK$450,005,000 represents the fair value adjustments of the interest in a profit sharing agreement over the carrying amounts as at 30 November 2007, as if Acquisition II was completed on 30 June 2007.

   The fair values of these assets as at 30 June 2007 are determined with reference to valuation at 30 November 2007 carried out by BMI Appraisal Limited, an independent qualified professional valuers not connected to the Enlarged Group II.

   According to the valuation information provided by BMI Appraisal Limited, the valuation of the interest in a profit sharing agreement is based on the market approach.

3. The pro forma adjustment of HK$143,999,000 represents the sum of the following:

   (i) Assuming the issuance of 720,000,000 Consideration Share II at par value of HK$0.2 by the Company, the share capital of the Company would increase approximately by HK$144,000,000.

   (ii) The adjustment of approximately HK$1,000 represents the elimination of the share capital of Sky Advantage upon the consolidation of the Unaudited Pro Forma Financial Information on the Enlarged Group II.

4. The pro forma adjustment of approximately HK$124,444,000, represents the net effect of elimination of the pre-acquisition reserves, share premium arising from the issuance of the Consideration Share II and the equity component of the Convertible Bond II. Details are set out as follows:

	HK$'000
Elimination of pre-acquisition reserves	
– Accumulated loss	6
Share premium *(Note 4(i))*	72,000
Convertible Bond II *(Note 4(ii))*	51,418
Negative goodwill arising from Acquisition II *(Note 4(iii))*	1,020
	124,444

   (i) Assuming the issue price of HK$0.3 was the fair value of the share of the Company at 30 June 2007, share premium of approximately HK$72,000,000 was recorded in the reserves resulting from the issuance of the Consideration Share II, as described in Note 1(iii) above.

   (ii) The equity components of the Convertible Bond II were approximately HK$51,418,000. Please also refer to Note 1(ii) for the details of the Convertible Bond II.

   (iii) The negative goodwill arising from Acquisition II was calculated on the basis of the excess of the consideration paid over the net fair value of the identifiable assets, liabilities and contingent liabilities of Sky Advantage. Details are set out as follows:

	HK$'000
The consideration	381,480
Less: Fair value of 85% interest in the net asset value in Sky Advantage	(382,500)
Negative goodwill arising from Acquisition II	(1,020)

Note:

Net book value of Sky Advantage as at 30 November 2007	(5)
Fair value adjustments on a profit sharing agreement *(Note 2)*	450,005
Net assets value of Sky Advantage at fair value as at 30 November 2007	450,000
Equity interest to be acquired	85%
Fair value of 85% interest in Sky Advantage	382,500

5. The pro forma adjustment represents minority interest of approximately HK$67,500,000 as Faith Mount Limited would become a minority shareholder having 15% equity interest in Sky Advantage upon completion of Acquisition II.

6. The pro forma adjustment of approximately HK$5,000 represents re-allocation of amount due to a director of Profit Forest to other payable on consolidation.

7. The pro forma adjustment represents deferred tax liabilities of approximately HK$10,906,000 arising from Convertible Bond II. Please also refer to Note 1(ii) for the details of the Convertible Bond II.

8. The pro forma adjustment of approximately HK$6,064,000 represents an annual finance cost of imputed interest expenses of Convertible Bond II to be expensed in the consolidated income statement of the Enlarged Group II with the imputed interest rate of 8% for the year ended 30 June 2007. These interest expenses shall have continuing effect on the financial statements of the Enlarged Group II in subsequent years.

9(i). The calculation of pro forma basic earnings per share is based on the Enlarged Group II's pro forma net profit attributable to the equity holders of the Company of HK$415,000 and the number of ordinary shares of 2,075,927,000 of the Enlarged Group II upon the completion of Acquisition II.

The number of ordinary shares of 2,075,927,000 is derived from:

	'000
Audited weighted average number of ordinary shares for the year ended 30 June 2007	1,355,927
Pro forma adjustment for ordinary shares issued as part of acquisition of 85% issued shares	720,000
Unaudited pro forma weighted average number of ordinary shares for the year ended 30 June 2007	2,075,927

9(ii). By assuming the Convertible Bond II was converted into ordinary shares on 1 July 2006, the Convertible Bond II was anti-dilutive because its interest per ordinary share obtainable on conversion exceeds basis loss per share.

10. The pro forma adjustment to the consolidated cash flow statement of approximately HK$5,044,000, represents the recognition of the finance cost of approximately HK$6,064,000 and negative goodwill of approximately HK$1,020,000 for the purpose of adjusting the profit before taxation.

11. The pro forma adjustment of HK$1,380,000 represents the actual payments of interests for Convertible Bond II with a coupon rate of 1% for the year ended 30 June 2007.

12. The pro forma adjustment of approximately HK$820,000 represents the adjustment of the deferred tax effect of Convertible Bond II for the year ended 30 June 2007.

Set out below is the unaudited pro forma financial information of the Enlarged Group extracted from the circular of the Company dated 13 February 2008. References to page number and defined terms in this section are to the page numbers of such circular of the Company. The term "Enlarged Group III" use in this section refer to the Group, Profit Forest and Sky Advantage, excludes Best Max.

UNAUDITED PRO FORMA FINANCIAL INFORMATION ON THE ENLARGED GROUP III

Introduction

The Unaudited Pro Forma Financial Information on the Enlarged Group III has been prepared to illustrate the effect of Acquisition I and Acquisition II.

The Unaudited Pro Forma Financial Information on the Enlarged Group III has been prepared in accordance with the Rules 4.29 of the Listing Rules for the purpose of illustrating the effect of Acquisition I and Acquisition II as if Acquisition I and Acquisition II took place on 30 June 2007 for the consolidated balance sheet and on 1 July 2006 for the consolidated income statement and consolidated cash flow statement.

The unaudited pro forma consolidated balance sheet, unaudited pro forma consolidated income statement and unaudited pro forma cash flow statement of the Enlarged Group III is prepared based on the audited consolidated balance sheet of the Group as at 30 June 2007, the audited consolidated income statement and audited consolidated cash flow statement of the Group for the year ended 30 June 2007 as set out in Appendix III to the Circular, the audited balance sheets of Profit Forest and Sky Advantage as at 30 November 2007, the audited income statement and audited cash flow statement of Profit Forest for the period from 6 July 2007 (date of incorporation) to 30 November 2007 and the audited income statement and audited cash flow statement of Sky Advantage for the period from 18 September 2007 (date of incorporation) to 30 November 2007 as set out in Appendix II to the Circular, after making pro forma adjustments relating to Acquisition I and Acquisition II that are (i) directly attributable to the transaction; and (ii) factually supportable.

The accompanying Unaudited Pro Forma Financial Information on the Enlarged Group III has been prepared by the directors of the Company for illustrative purpose only and is based on a number of assumptions, estimates, uncertainties. Accordingly, the Unaudited Pro Forma Financial Information on the Enlarged Group III does not purport to describe the actual financial position of the Enlarged Group III that would have been attained has Acquisition I and Acquisition II been completed on 30 June 2007 and to describe the actual financial results and cash flows of the Enlarged Group III that would have been attained has Acquisition I and Acquisition II been completed on 1 July 2006, nor purport to predict the Enlarged Group III's future financial position or results of operations.

The Unaudited Pro Forma Financial Information on the Enlarged Group III should be read in conjunction with the Accountants' Report on the Profit Forest and Sky Advantage as set out in Appendix II, the historical financial information on the Group as set out in Appendix III and other financial information included elsewhere in the Circular.

The Unaudited Pro Forma Financial Information on the Enlarged Group III has been prepared by the directors of the Company for illustrative purposes only and because of its nature, it may not give a true picture of financial position of the Enlarged Group III following completion of Acquisition I and Acquisition II.

(I) Unaudited Pro Forma Consolidated Balance Sheet of the Enlarged Group III

The following is the unaudited pro forma consolidated balance sheet of the Enlarged Group III, assuming that Acquisition I and Acquisition II have been completed on 30 June 2007. The information is based on the audited consolidated financial statements of the Group as at 30 June 2007 and the audited financial information of Profit Forest and Sky Advantage as at 30 November 2007 as set out in Appendix III and II to the Circular respectively. Such information is adjusted to reflect the effect of Acquisition I and Acquisition II.

As the unaudited pro forma consolidated balance sheet of the Enlarged Group III has been prepared for illustrative purpose only and because of its nature, it may not give a true picture of the financial position of the Enlarged Group III as at the date to which it is made up to or at any future date.

	Audited Consolidated Balance Sheet of the Group as at 30 June 2007	Audited Balance Sheet of Profit Forest as at 30 November 2007	Audited Balance Sheet of Sky Advantage as at 30 November 2007	Sub-total	Pro forma adjustments for Acquisition I	II	Notes	Unaudited Pro forma Consolidated Balance Sheet of the Enlarged Group III as at 30 June 2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
ASSETS								
Non-current assets								
Property, plant and equipment	161,853	–	–	161,853				161,853
Investment property	28,550	–	–	28,550				28,550
Prepaid land premiums	2,579	–	–	2,579				2,579
Goodwill	45	–	–	45				45
Interest in profit sharing agreements	–	–	–	–	1,360,005	450,005	*2*	1,810,010
	193,027	–	–	193,027				2,003,037
Current assets								
Inventories	17,310	–	–	17,310				17,310
Trade and other receivables	50,161	–	–	50,161				50,161
Loan receivables	28,000	–	–	28,000				28,000
Amount due from a related company	710	–	–	710				710
Financial assets at fair value through profit or loss	1,782	–	–	1,782				1,782
Pledged bank deposits	68	–	–	68				68
Cash at securities company	38,526	–	–	38,526				38,526
Cash and bank balances	122,840	–	–	122,840	(82,440)	(27,480)	*1(i)*	12,920
	259,397	–	–	259,397				149,477
Total assets	452,424	–	–	452,424				2,152,514

	Audited Consolidated Balance Sheet of the Group as at 30 June 2007	Audited Balance Sheet of Profit Forest as at 30 November 2007	Audited Balance Sheet of Sky Advantage as at 30 November 2007	Sub-total	Pro forma adjustments for Acquisition I	Pro forma adjustments for Acquisition II	Notes	Unaudited Pro forma Consolidated Balance Sheet of the Enlarged Group III as at 30 June 2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
EQUITY								
Capital and reserves								
Share capital	287,953	1	1	287,955	143,999	143,999	*3*	575,953
Reserves	(7,345)	(6)	(6)	(7,357)	398,779	124,444	*4*	515,866
	280,608	(5)	(5)	280,598				1,091,819
Minority interest	15,588	–	–	15,588	204,000	67,500	*5*	287,088
Total equity	296,196	(5)	(5)	296,186				1,378,907
LIABILITIES								
Current liabilities								
Bank and other borrowings	374	–	–	374				374
Trade and other payables	41,258	–	–	41,258	5	5	*6*	41,268
Deposits received	81,813	–	–	81,813				81,813
Amount due to a minority shareholder	29,100	–	–	29,100				29,100
Amount due to a director	–	5	5	10	(5)	(5)	*6*	–
Tax payable	3,290	–	–	3,290				3,290
	155,835	5	5	155,845				155,845
Non-current liabilities								
Convertible bonds	–	–	–	–	463,924	75,676	*1(ii)*	539,600
Deferred tax liabilities	393	–	–	393	66,863	10,906	*7*	78,162
	393	–	–	393				617,762
Total liabilities	156,228	5	5	156,238				773,607
Total equity and liabilities	452,424	–	–	452,424				2,152,514
Net current assets/ (liabilities)	103,562	(5)	(5)	103,552				(6,368)
Total assets less current liabilities	296,589	(5)	(5)	296,579				1,996,669

(II) Unaudited Pro Forma Consolidated Income Statement of the Enlarged Group III

The following is the unaudited pro forma consolidated income statement of the Enlarged Group III, assuming that Acquisition I and Acquisition II have been completed on 1 July 2006. The information is based on the audited consolidated financial statements of the Group for the year ended 30 June 2007, the audited financial information of Profit Forest for the period from 6 July 2007 (date of incorporation) to 30 November 2007 and the audited financial information of Sky Advantage for the period from 18 September 2007 (date of incorporation) to 30 November 2007, as set out in Appendix III and II to the Circular respectively. Such information is adjusted to reflect the effect of Acquisition I and Acquisition II.

As the unaudited pro forma consolidated income statement of the Enlarged Group III has been prepared for illustrative purpose only and because of its nature, it may not give a true picture of the results of the Enlarged Group III for the year ended to which it is made up to or for any future period.

	Audited Consolidated Income Statement of the Group for the year ended 30 June 2007	Audited Income Statement of Profit Forest for the period from 6 July 2007 (date of incorporation) to 30 November 2007	Audited Income Statement of Sky Advantage for the period from 18 September 2007 (date of incorporation) to 30 November 2007	Sub-total	Pro forma adjustments for Acquisition I	Pro forma adjustments for Acquisition II	Notes	Unaudited Pro forma Consolidated Income Statement of the Enlarged Group III for the year ended 30 June 2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
Turnover	129,959	–	–	129,959				129,959
Cost of sales	(99,085)	–	–	(99,085)				(99,085)
Gross profit	30,874	–	–	30,874				30,874
Other revenue	4,952	–	–	4,952				4,952
Other income	1,365	–	–	1,365				1,365
Negative goodwill	–	–	–	–	11,560	1,020	*4(iii)*	12,580
Distribution costs	(1,347)	–	–	(1,347)				(1,347)
Administrative expenses	(17,995)	(6)	(6)	(18,007)				(18,007)
Equity-settled share-based payments expenses	(6,068)	–	–	(6,068)				(6,068)
Profit/(loss) from operating activities	11,781	(6)	(6)	11,769				24,349
Finance costs	(1,593)	–	–	(1,593)	(37,177)	(6,064)	*8*	(44,834)
Profit/(loss) before taxation	10,188	(6)	(6)	10,176				(20,485)
Taxation	(797)	–	–	(797)	5,025	820	*12*	5,048
Net profit/(loss) for the year/period	9,391	(6)	(6)	9,379				(15,437)

	Audited Consolidated Income Statement of the Group for the year ended 30 June 2007	**Audited Income Statement of Profit Forest for the period from 6 July 2007 (date of incorporation) to 30 November 2007**	**Audited Income Statement of Sky Advantage for the period from 18 September 2007 (date of incorporation) to 30 November 2007**	**Sub-total**	**Pro forma adjustments for Acquisition I**	**Pro forma adjustments for Acquisition II**		**Unaudited Pro forma Consolidated Income Statement of the Enlarged Group III for the year ended 30 June 2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
Attributable to:								
The equity holders of the Company	4,645	(6)	(6)	4,633				(20,183)
Minority interest	4,746	–	–	4,746				4,746
	9,391	(6)	(6)	9,379				(15,437)
Earnings/(loss) per share contributable to the equity holders of the Company								
– Basic and diluted	0.34 cents	(6,162.00) cents	(6,162.00) cents				*9(i)&(ii)*	(0.72) cents

(III) Unaudited Pro Forma Consolidated Cash Flow Statement of the Enlarged Group III

The following is the unaudited pro forma consolidated cash flow statement of the Enlarged Group III, assuming that Acquisition I and Acquisition II have been completed on 1 July 2006. The information is based on the audited consolidated financial statements of the Group for the year ended 30 June 2007, the audited financial statements of Profit Forest for the period from 6 July 2007 (date of incorporation) to 30 November 2007 and the audited financial information of Sky Advantage for the period from 18 September 2007 (date of incorporation) to 30 November 2007 as set out in Appendix III and II to the Circular respectively. Such information is adjusted to reflect the effect of Acquisition I and Acquisition II.

As the unaudited pro forma consolidated cash flow statement of the Enlarged Group III has been prepared for illustrative purpose only and because of its nature, it may not give a true picture of the cash flows of the Enlarged Group III for the year ended to which it is made up to or for any future period.

	Audited Consolidated Cash Flow Statement of the Group for the year ended 30 June 2007	Audited Cash Flow Statement of Profit Forest for the period from 6 July 2007 (date of incorporation) to 30 November 2007	Audited Cash Flow Statement of Sky Advantage for the period from 18 September 2007 (date of incorporation) to 30 November 2007	Sub-total	Pro forma adjustments for Acquisition			Unaudited Pro forma Consolidated Cash Flow Statement of the Enlarged Group III for the year ended 30 June 2007
					I	II		
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
Operating activities								
Profit/(loss) before taxation	10,188	(6)	(6)	10,176	(25,617)	(5,044)	*10*	(20,485)
Adjustments for:								
Interest income	(4,678)	–	–	(4,678)				(4,678)
Dividend income	(3)	–	–	(3)				(3)
Equity-settled share-based payments expenses	6,068	–	–	6,068				6,068
Fair value gain on financial assets at fair value through profit or loss	(1,215)	–	–	(1,215)				(1,215)
Fair value gain on investment properties	(150)	–	–	(150)				(150)
Negative goodwill	–	–	–	–	(11,560)	(1,020)	*4(iii)*	(12,580)
Amortisation	64	–	–	64				64
Depreciation	18,319	–	–	18,319				18,319
Finance costs	1,593	–	–	1,593	37,177	6,064	*8*	44,834
Impairment loss recognised on obsolescence of inventories	963	–	–	963				963
Impairment loss recognised in respect of trade receivables	776	–	–	776				776
Impairment loss recognised in respect of other receivables	477	–	–	477				477
Written off on trade receivables	13	–	–	13				13

	Audited Consolidated Cash Flow Statement of the Group for the year ended 30 June 2007	Audited Cash Flow Statement of Profit Forest for the period from 6 July 2007 (date of incorporation) to 30 November 2007	Audited Cash Flow Statement of Sky Advantage for the period from 18 September 2007 (date of incorporation) to 30 November 2007	Sub-total	Pro forma adjustments for Acquisition I	II	Notes	Unaudited Pro forma Consolidated Cash Flow Statement of the Enlarged Group III for the year ended 30 June 2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*		*HK$'000*
Operating profit/(loss) before working capital changes	32,415	(6)	(6)	32,403				32,403
Increase in inventories	(955)	–	–	(955)				(955)
Increase in trade and other receivables	(16,742)	–	–	(16,742)				(16,742)
Increase in loan receivables	(28,000)	–	–	(28,000)				(28,000)
Increase in amount due to a director	–	5	5	10	(5)	(5)	*6*	–
Increase in trade and other payables	2,193	–	–	2,193	5	5	*6*	2,203
Cash used in operations	(11,089)	(1)	(1)	(11,091)				(11,091)
Interest received	3,366	–	–	3,366				3,366
Hong Kong profits tax paid	(896)	–	–	(896)				(896)
Net cash outflow from operating activities	(8,619)	(1)	(1)	(8,621)				(8,621)
Cash flows from investing activities								
Payments to acquire property, plant and equipment	(300)	–	–	(300)				(300)
Dividend received	3	–	–	3				3
Decrease in pledged bank deposits	4,383	–	–	4,383				4,383
Payments to acquire subsidiaries	–	–	–	–	(82,440)	(27,480)	*1(i)*	(109,920)
Net cash inflow/(outflow) from investing activities	4,086	–	–	4,086				(105,834)
Cash flows from financing activities								
Deposits received from open offer	81,813	–	–	81,813				81,813
Issue of shares	–	1	1	2	(1)	(1)	*3(ii)*	–
Repayment of loans	(1,564)	–	–	(1,564)				(1,564)
Finance costs paid	(989)	–	–	(989)	(8,460)	(1,380)	*11*	(10,829)
Net cash inflow from financing activities	79,260	1	1	79,262				69,420

	Audited Consolidated Cash Flow Statement of the Group for the year ended 30 June 2007	Audited Cash Flow Statement of Profit Forest for the period from 6 July 2007 (date of incorporation) to 30 November 2007	Audited Cash Flow Statement of Sky Advantage for the period from 18 September 2007 (date of incorporation) to 30 November 2007	Sub-total	Pro forma adjustments for Acquisition I	II	Notes	Unaudited Pro forma Consolidated Cash Flow Statement of the Enlarged Group III for the year ended 30 June 2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
Net increase/(decrease) in cash and cash equivalents	74,727	–	–	74,727				(45,035)
Cash and cash equivalents at the beginning of the year/period	86,265	–	–	86,265				86,265
Cash and cash equivalents at the end of the year/period	160,992	–	–	160,992				41,230
Analysis of balances of cash and cash equivalents								
Cash and bank balances	122,840	–	–	122,840				3,078
Cash at securities company	38,526	–	–	38,526				38,526
Bank overdrafts	(374)	–	–	(374)				(374)
	160,992	–	–	160,992				41,230

(IV) Notes to the Unaudited Pro Forma Financial Information on the Enlarged Group III

Under HKFRS 3 Business Combinations ("HKFRS 3"), the Company will apply the purchase method to account for Acquisition I and Acquisition II. In applying the purchase method, the identifiable assets, liabilities and contingent liabilities of Profit Forest and Sky Advantage will be recorded on the consolidated balance sheet of the Company at their fair values at the date of completion. Any goodwill or discount arising on Acquisition I and Acquisition II will be determined as the excess or deficit of the purchase price to be incurred by the Company over the Company's interests in the net fair value of the identifiable assets, liabilities and contingent liabilities of Profit Forest and Sky Advantage at the date of completion. Negative goodwill resulting from the business combinations should be recognised immediately in the consolidated income statement.

The adjustments reflected the following:

1. The consideration for Acquisition I to be satisfied by Stand Great Limited and the consideration for Acquisition II to be satisfied by Hero Will Limited are approximately HK$1,144,440,000 and HK$381,480,000 respectively. The considerations are to be satisfied by:

	Acquisition I *HK$'000*	**Acquisition II** *HK$'000*
Cash consideration *(Note 1(i))*	82,440	27,480
Convertible bonds (the "Convertible Bond I and II") *(Note 1(ii))*	846,000	138,000
Consideration shares (the "Consideration Share I and II") *(Note 1 (iii))*	216,000	216,000
	1,144,440	381,480

(i) Assuming that Acquisition I and Acquisition II had been completed on 30 June 2007, the cash consideration for Acquisition I and Acquisition II would be settled as follows:

	Acquisition I *HK$'000*	**Acquisition II** *HK$'000*
Refundable deposits	25,000	10,000
Cash payment upon completion of acquisition	57,440	17,480
	82,440	27,480

The cash consideration shall be funded by the Company's internal resources.

(ii) Assuming Convertible Bond I and Convertible Bond II are issued on 30 June 2007, the Company has separated Convertible Bond I and Convertible Bond II into liability and equity portions in accordance with Hong Kong Accounting Standards 32 "Financial Instrument: Disclosure and Presentation".

In preparing the Unaudited Pro Forma Financial Information on the Enlarged Group III, the face value of Convertible Bond I of HK$846,000,000 and Convertible Bond II of HK$138,000,000 have taken to be their fair value as if they were issued upon completion of Acquisition I and Acquisition II respectively.

The adjustments of approximately HK$463,924,000 and HK$75,676,000 represent the liability portion of Convertible Bond I and Convertible Bond II respectively based on the calculation of the discounted cash flow method. The Company has taken the prime rate of 7.5% p.a. as at 30 June 2007 as the discount rate for the calculation of the liability portion of Convertible Bond I and Convertible Bond II. Please refer to the following for the details of the liability and equity portions of Convertible Bond I and Convertible Bond II.

	Convertible Bond I	II
	HK$'000	*HK$'000*
Liability portion		
– Non-current liabilities	463,924	75,676
– Deferred tax liabilities *(Note 7)*	66,863	10,906
	530,787	86,582
Equity portion *(Note 4(ii))*	315,213	51,418
	846,000	138,000

(iii) Assuming the issue price of HK$0.30 per share was the fair value of the Company as at 30 June 2007, HK$216,000,000 of each would be satisfied by procuring the Company to allot and issue Consideration Share I and Consideration Share II. Upon the completion of Acquisition I, the share capital and share premium of the Company will increase by approximately HK$144,000,000 and HK$72,000,000 respectively while upon the completion of Acquisition II, the share capital and share premium of the Company will increase by approximately HK$144,000,000 and HK$72,000,000 respectively.

2. The pro forma adjustments of HK$1,360,005,000 and HK$450,005,000 represent the fair value adjustments of the interest in a profit sharing agreement of Profit Forest and Sky Advantage respectively over the carrying amounts as at 30 November 2007, as if Acquisition I and II were completed on 30 June 2007.

The fair values of these assets as at 30 June 2007 are determined with reference to valuation at 30 November 2007 carried out by BMI Appraisal Limited, an independent qualified professional valuers not connected to the Enlarged Group III.

According to the valuation information provided by BMI Appraisal Limited, the valuation of the interest in a profit sharing agreement is based on the market approach.

3. The pro forma adjustment of HK$143,999,000 represents the sum of the following:

(i) Assuming the issuance of 720,000,000 for each of Consideration Share I and Consideration Share II at par value of HK$0.2 by the Company, the share capital of the Company would increase approximately by HK$144,000,000 for each of the Consideration Share I and Consideration Share II.

(ii) The adjustment of approximately HK$1,000 of each represents the elimination of the share capital of Profit Forest and Sky Advantage upon the consolidation of the Unaudited Pro Forma Financial Information on the Enlarged Group III.

4. The pro forma adjustments of approximately HK$398,779,000 for Acquisition I and HK$124,444,000 for Acquisition II represents the net effect of the followings:

	Acquisition I	**Acquisition II**
	HK$'000	*HK$'000*
Elimination of pre-acquisition reserves		
– Accumulated loss	6	6
Share premium *(Note 4(i))*	72,000	72,000
Equity Component of convertible bond *(Note 4(ii))*	315,213	51,418
Negative goodwill *(Note 4(iii))*	11,560	1,020
	398,779	124,444

(i) Assuming the issue price of HK$0.3 was the fair value of the share of the Company at 30 June 2007, share premium of approximately HK$72,000,000 of each was recorded in the reserves resulting from the issuance of both Consideration Share I and Consideration Share II, as described in Note 1(iii) above.

(ii) The equity components of the Convertible Bond I and Convertible Bond II were approximately HK$315,213,000 and HK$51,418,000 respectively. Please also refer to Note 1(ii) for the details of the Convertible Bond I and Convertible Bond II.

(iii) The negative goodwill arising from Acquisition I and Acquisition II were calculated on the basis of the excess of the consideration paid over the net fair value of the identifiable assets, liabilities and contingent liabilities of Profit Forest and Sky Advantage respectively. Details are set out as follows:

	Acquisition I	**Acquisition II**
	HK$'000	*HK$'000*
The consideration	1,144,440	381,480
Less: Fair value of 85% interest in the net asset value in Profit Forest/Sky Advantage	(1,156,000)	(382,500)
Negative goodwill	(11,560)	(1,020)

Note:

	Acquisition I	**Acquisition II**
	HK$'000	*HK$'000*
Net book value of Profit Forest/Sky Advantage as at 30 November 2007	(5)	(5)
Fair value adjustments on a profit sharing agreement *(Note 2)*	1,360,005	450,005
Net assets value of Profit Forest/Sky Advantage at fair value as at 30 November 2007	1,360,000	450,000
Equity interest to be acquired	85%	85%
Fair value of 85% interest in Profit Forest and Sky Advantage	1,156,000	382,500

5. The pro forma adjustment represents minority interest of approximately HK$204,000,000 as Ultra Choice Limited would become a minority shareholder having 15% equity interest in Profit Forest upon completion of Acquisition I.

   The pro forma adjustment represents minority interest of approximately HK$67,500,000 as Faith Mount Limited would become a minority shareholder having 15% equity interest in Sky Advantage upon completion of Acquisition II.

6. The pro forma adjustment of approximately HK$5,000 of each represents re-allocation of amount due to a director of both Profit Forest and Sky Advantage to other payable on consolidation.

7. The pro forma adjustment represents deferred tax liabilities of approximately HK$66,863,000 and HK$10,906,000 arising from Convertible Bond I and Convertible Bond II respectively. Please also refer to Note 1(ii) for details of Convertible Bond I and Convertible Bond II.

8. The pro forma adjustments of approximately HK$37,177,000 and HK$6,064,000 represent an annual finance cost of imputed interest expenses of Convertible Bond I and Convertible Bond II respectively to be expensed in the consolidated income statement of the Enlarged Group III with the imputed interest rate of 8% for the year ended 30 June 2007. These interest expenses shall have continuing effect on the financial statements of the Enlarged Group III in subsequent years.

9(i). The calculation of pro forma basic loss per share is based on the Enlarged Group III's pro forma net loss attributable to the equity holders of the Company of HK$20,183,000 and the number of ordinary shares of 2,795,927,000 of the Enlarged Group III upon the completion of Acquisition I and Acquisition II. The number of ordinary shares of 2,795,927,000 is derived from:

	'000
Audited weighted average number of ordinary shares for the year ended 30 June 2007	1,355,927
Pro forma adjustment for ordinary shares issued as part of acquisition of 85% issued share of	
(a) Profit Forest	720,000
(b) Sky Advantage	720,000
Unaudited pro forma weighted average number of ordinary shares for the year ended 30 June 2007	2,795,927

9(ii). By assuming Convertible Bond I and the Convertible Bond II were converted into ordinary shares on 1 July 2006, Convertible Bond I and the Convertible Bond II were both anti-dilutive because their interest per ordinary share obtainable on conversion exceeds basis loss per share.

10. The pro forma adjustments to the consolidated cash flow statement of approximately HK$25,617,000 and HK$5,044,000 represent the recognition of the finance cost of Convertible Bond I of approximately HK$37,177,000 and Convertible Bond II of approximately HK$6,064,000 respectively and negative goodwill of approximately HK$11,560,000 and HK$1,020,000 from Acquisition I and Acquisition II respectively for the purpose of adjusting the profit before taxation.

11. The pro forma adjustments of HK$8,460,000 and HK$1,380,000 represent the actual payments of interests for Convertible Bond I and Convertible Bond II respectively with a coupon rate of 1% for the year ended 30 June 2007.

12. The pro forma adjustments of approximately HK$5,025,000 and HK$820,000 represent the deferred tax effect of Convertible Bond I and Convertible Bond II respectively for the year ended 30 June 2007.

STATEMENT OF INDEBTEDNESS

Borrowings

As at the close of business on 31 July 2008, being the Latest Practicable Date, the Enlarged Group had outstanding borrowings of approximately HK$657 million, detail of which is set out below:

	HK$'000
Promissory Notes	15,000
Convertible Bond	642,114
	657,114

The principal amount of the Promissory Notes and Convertible Bond outstanding as at 31 July 2008 were HK$15 million and HK$984 million respectively. The Promissory Notes carry is interest-free and payable within 1 year. The Convertible Bonds carry an interest rate of 1% payable on every 6 months and with a duration of 10 years.

Contingencies

As at 31 July 2008, the Enlarged Group did not have any material contingent liabilities or guarantees.

Disclaimer

Save as aforesaid and apart from intra-group liabilities, as at the close of business on 31 July 2008, the Group had no debt securities issued and outstanding, and authorised or otherwise created but unissued, term loans, distinguishing between guaranteed, unguaranteed, secured and unsecured, and guaranteed, unguaranteed, secured and unsecured bank borrowings including, bank loans and overdrafts or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credit, hire purchase or finance lease commitments, guarantees or other material contingent liabilities.

Save as aforesaid, the Directors confirm that there has been no material change to the indebtedness and contingent liabilities of the Enlarged Group since 31 July 2008 and up to the Latest Practicable Date.

WORKING CAPITAL STATEMENT

As at the Latest Practicable Date, after due and careful enquiry, the Directors are of the opinion that, in the absence of unforeseen circumstances and after taking into account the present internal financial resources of the Enlarged Group (including principally cash at bank and listed securities investment), the Enlarged Group will, immediately following the completion of the Acquisition, have sufficient working capital for at least 12 months from the date of this circular.

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from the independent reporting accountants, HLB Hodgson Impey Cheng, Chartered Accountants, Certified Public Accountants, Hong Kong.

HLB 國衛會計師事務所
Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

31st Floor
Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

26 September 2008

The Directors
Neptune Group Limited
Units 1205-06, 12/F
Office Tower Two
The Harbourfront
18-22 Tak Fung Street
Hunghom, Kowloon
HONG KONG

Dear Sirs,

We report on the unaudited pro forma financial information of Neptune Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") and Best Max Enterprises Limited ("Best Max") (together with the Group hereinafter referred to as the "Enlarged Group") (the "Unaudited Pro Forma Financial Information") which has been prepared by the directors of the Company for illustrative purpose only, to provide information about how the proposed acquisition of 100% issued share capital of Best Max (the "Acquisition"), might have affected the financial information presented for inclusion in Appendix III of the circular of the Company dated 26 September 2008 (the "Circular"). The basis of preparation for the Unaudited Pro Forma Financial Information on the Enlarged Group is set out on page 184 to the Circular.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND REPORTING ACCOUNTANTS

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information on the Enlarged Group in accordance with Rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion as required by Rule 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information on the Enlarged Group and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information on the Enlarged Group beyond that owned to those to whom those reports were addressed by us at the dates of their issue.

BASIS OF OPINION

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagement ("HKSIR") 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information on the Enlarged Group with the directors of the Company. The engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information on the Enlarged Group has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information on the Enlarged Group as disclosed pursuant to Rule 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information on the Enlarged Group is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Enlarged Group as at 30 June 2007 or any future date; or

- the financial results and cash flows of the Enlarged Group for the year ended 30 June 2007 or for any future period.

OPINION

In our opinion:

- the Unaudited Pro Forma Financial Information on the Enlarged Group has been properly compiled by the directors of the Company on the basis stated;

- such basis is consistent with the accounting policies of the Group; and

- the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information on the Enlarged Group as disclosed pursuant to Rule 4.29(1) of the Listing Rules.

Yours faithfully,

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants
Hong Kong

UNAUDITED PRO FORMA FINANCIAL INFORMATION ON THE ENLARGED GROUP

Introduction

The Unaudited Pro Forma Financial Information on the Enlarged Group has been prepared to illustrate the effect of the Acquisition.

The Unaudited Pro Forma Financial Information on the Enlarged Group has been prepared in accordance with the Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Acquisition as if the Acquisition took place on 30 June 2007 for the consolidated balance sheet and on 1 July 2006 for the consolidated income statement and consolidated cash flow statement.

The unaudited pro forma consolidated balance sheet, unaudited pro forma consolidated income statement and unaudited pro forma cash flow statement of the Enlarged Group is prepared based on the audited consolidated balance sheet of the Group as at 30 June 2007, the audited consolidated income statement and audited consolidated cash flow statement of the Group for the year ended 30 June 2007 as set out in Appendix III to the Circular, the audited balance sheet of Best Max as at 30 June 2008, the audited income statement and audited cash flow statement of Best Max for the period from 10 January 2008 (date of incorporation) to 30 June 2008 as set out in Appendix II to the Circular, after making pro forma adjustments relating to the Acquisition that are (i) directly attributable to the transaction; and (ii) factually supportable. The unaudited pro forma consolidated balance sheet was prepared as if the transaction took place on 30 June 2007 rather than on 31 December 2007, for the purpose to consist with the unaudited pro forma consolidated income statement and unaudited pro forma cash flow statement. The unaudited pro forma financial information has not taken into account for the effect of Acquisition of Sky Advantage Limited and Profit Forest Limited in November 2007. For details of the acquisitions please refer to the Company's circular dated 13 February 2008.

The accompanying Unaudited Pro Forma Financial Information on the Enlarged Group has been prepared by the directors of the Company for illustrative purpose only and is based on a number of assumptions, estimates, uncertainties. Accordingly, the Unaudited Pro Forma Financial Information on the Enlarged Group does not purport to describe the actual financial position of the Enlarged Group that would have been attained has the Acquisition been completed on 30 June 2007 and to describe the actual financial results and cash flows of the Enlarged Group that would have been attained has the Acquisition been completed on 1 July 2006, nor purport to predict the Enlarged Group's future financial position or results of operations.

The Unaudited Pro Forma Financial Information on the Enlarged Group should be read in conjunction with the Accountants' Report on the Best Max as set out in Appendix II, the historical financial information on the Group as set out in Appendix III and other financial information included elsewhere in the Circular.

The Unaudited Pro Forma Financial Information on the Enlarged Group has been prepared by the directors of the Company for illustrative purposes only and because of its nature, it may not give a true picture of financial position of the Enlarged Group following completion of the Acquisition.

(I) Unaudited Pro Forma Consolidated Balance Sheet of the Enlarged Group

The following is the unaudited pro forma consolidated balance sheet of the Enlarged Group, assuming that the Acquisition has been completed on 30 June 2007. The information is based on the audited consolidated financial statements of the Group as at 30 June 2007 and the audited financial information of Best Max as at 30 June 2008 as set out in Appendices III and II to the Circular respectively. Such information is adjusted to reflect the effect of the Acquisition.

As the unaudited pro forma consolidated balance sheet of the Enlarged Group has been prepared for illustrative purpose only and because of its nature, it may not give a true picture of the financial position of the Enlarged Group as at the date to which it is made up to or at any future date.

	Audited Consolidated Balance Sheet of the Group as at 30 June 2007	**Audited Balance Sheet of Best Max as at 30 June 2008**	**Sub-total**	**Pro Forma adjustments**		**Unaudited Pro Forma Consolidated Balance Sheet of the Enlarged Group as at 30 June 2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
ASSETS						
Non-current assets						
Property, plant and equipment	161,853	–	161,853			161,853
Investment properties	28,550	–	28,550			28,550
Prepaid land premiums	2,579	–	2,579			2,579
Goodwill	45	–	45			45
Interest in a profit sharing agreement	–	–	–	4,500,005	*2*	4,500,005
	193,027	–	193,027			4,693,032
Current assets						
Inventories	17,310	–	17,310			17,310
Trade and other receivables	50,161	–	50,161			50,161
Loan receivables	28,000	–	28,000			28,000
Amount due from a related company	710	–	710			710
Financial assets at fair value through profit or loss	1,782	–	1,782			1,782
Pledged bank deposits	68	–	68			68
Cash at securities company	38,526	–	38,526			38,526
Cash and bank balances	122,840	–	122,840	(326,084)	*1(i)*	(203,244)
	259,397	–	259,397			(66,687)
Total assets	452,424	–	452,424			4,626,345

	Audited Consolidated Balance Sheet of the Group as at 30 June 2007	Audited Balance Sheet of Best Max as at 30 June 2008	Sub-total	Pro Forma adjustments	Notes	Unaudited Pro Forma Consolidated Balance Sheet of the Enlarged Group as at 30 June 2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
EQUITY						
Capital and reserves						
Share capital	287,953	1	287,954	1,242,222	*3(i)*	1,530,176
Reserves	(7,345)	(6)	(7,351)	2,139,426	*4*	2,132,075
	280,608	(5)	280,603			3,662,251
Minority interest	15,588	–	15,588			15,588
Total equity	296,196	(5)	296,191			3,677,839
LIABILITIES						
Current liabilities						
Bank and other borrowings	374	–	374			374
Trade and other payables	41,258	–	41,258	5	*5*	41,263
Deposits received	81,813	–	81,813			81,813
Amount due to a minority shareholder	29,100	–	29,100			29,100
Amount due to a director	–	5	5	(5)	*5*	–
Tax payable	3,290	–	3,290			3,290
	155,835	5	155,840			155,840
Non-current liabilities						
Promissory notes	–	–	–	705,786	*1(ii)*	705,786
Deferred tax liabilities	393	–	393	86,487	*6*	86,880
	393	–	393			792,666
Total liabilities	156,228	5	156,233			948,506
Total equity and liabilities	452,424	–	452,424			4,626,345
Net current assets/ (liabilities)	103,562	(5)	103,557			(222,527)
Total assets less current liabilities	296,589	(5)	296,584			4,470,505

(II) Unaudited Pro Forma Consolidated Income Statement of the Enlarged Group

The following is the unaudited pro forma consolidated income statement of the Enlarged Group, assuming that the Acquisition has been completed on 1 July 2006. The information is based on the audited consolidated financial statements of the Group for the year ended 30 June 2007 and the audited financial information of Best Max for the period from 10 January 2008 (date of incorporation) to 30 June 2008 as set out in Appendices III and II to the Circular respectively. Such information is adjusted to reflect the effect of the Acquisition.

As the unaudited pro forma consolidated income statement of the Enlarged Group has been prepared for illustrative purpose only and because of its nature, it may not give a true picture of the results of the Enlarged Group for the year ended to which it is made up to or for any future period.

	Audited Consolidated Income Statement of the Group for the year ended 30 June 2007	**Audited Income Statement of Best Max for the period from 10 January 2008 (date of incorporation) to 30 June 2008**	**Sub-total**	**Pro Forma adjustments**	*Notes*	**Unaudited Pro Forma Consolidated Income Statement of the Enlarged Group for the year ended 30 June 2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*		*HK$'000*
Turnover	129,959	–	129,959			129,959
Cost of sales	(99,085)	–	(99,085)			(99,085)
Gross profit	30,874	–	30,874			30,874
Other revenue	4,952	–	4,952			4,952
Other income	1,365	–	1,365			1,365
Distribution costs	(1,347)	–	(1,347)			(1,347)
Negative goodwill	–	–	–	586,643	*4(iii)*	586,643
Administrative expenses	(17,995)	(6)	(18,001)			(18,001)
Equity-settled share-based payments expenses	(6,068)	–	(6,068)			(6,068)
Profit/(loss) from operating activities	11,781	(6)	11,775			598,418
Finance costs	(1,593)	–	(1,593)	(54,129)	*7*	(55,722)
Profit/(loss) before taxation	10,188	(6)	10,182			542,696
Taxation	(797)	–	(797)	6,323	*8*	5,526
Net profit/(loss) for the year/period	9,391	(6)	9,385			548,222
Attributable to:						
The equity holders of the Company	4,645	(6)	4,639			543,476
Minority interests	4,746	–	4,746			4,746
	9,391	(6)	9,385			548,222
Earnings/(loss) per share contributable to the equity holders of the Company – Basic and diluted	0.34 cents	(6,162.00) cents			*9*	7.18 cents

(III) Unaudited Pro Forma Consolidated Cash Flow Statement of the Enlarged Group

The following is the unaudited pro forma consolidated cash flow statement of the Enlarged Group, assuming that the Acquisition has been completed on 1 July 2006. The information is based on the audited consolidated financial statements of the Group for the year ended 30 June 2007, the audited financial statements of Best Max for the period from 10 January 2008 (date of incorporation) to 30 June 2008 as set out in Appendices III and II to the Circular respectively. Such information is adjusted to reflect the effect of the Acquisition.

As the unaudited pro forma consolidated cash flow statement of the Enlarged Group has been prepared for illustrative purpose only and because of its nature, it may not give a true picture of the cash flows of the Enlarged Group for the year ended to which it is made up to or for any future period.

	Audited Consolidated Cash Flow Statement of the Group for the year ended 30 June 2007	Audited Cash Flow Statement of Best Max for the period from 10 January 2008 (date of incorporation) to 30 June 2008	Sub-total	Pro Forma adjustments		Unaudited Pro Forma Consolidated Cash Flow Statement of the Enlarged Group for the year ended 30 June 2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
Operating activities						
Profit/(loss) before taxation	10,188	(6)	10,182	532,514	*10*	542,696
Adjustments for:						
Interest income	(4,678)	–	(4,678)			(4,678)
Dividend income	(3)	–	(3)			(3)
Equity-settled share-based payments expenses	6,068	–	6,068			6,068
Fair value gain on financial assets at fair value through profit or loss	(1,215)	–	(1,215)			(1,215)
Fair value gain on investment properties	(150)	–	(150)			(150)
Negative goodwill	–	–	–	(586,643)	*4(iii)*	(586,643)
Amortisation	64	–	64			64
Depreciation	18,319	–	18,319			18,319
Finance costs	1,593	–	1,593	54,129	*7*	55,722
Impairment loss recognsied on obsolescence of inventories	963	–	963			963
Impairment loss recognised in respect of trade receivables	776	–	776			776
Impairment loss recognised in respect of other receivables	477	–	477			477
Written off on trade receivables	13	–	13			13

	Audited Consolidated Cash Flow Statement of the Group for the year ended 30 June 2007	Audited Cash Flow Statement of Best Max for the period from 10 January 2008 (date of incorporation) to 30 June 2008	Sub-total	Pro Forma adjustments		Unaudited Pro Forma Consolidated Cash Flow Statement of the Enlarged Group for the year ended 30 June 2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
Operating profit/(loss) before working capital changes	32,415	(6)	32,409			32,409
Increase in inventories	(955)	–	(955)			(955)
Increase in trade and other receivables	(16,742)	–	(16,742)			(16,742)
Increase in loan receivables	(28,000)	–	(28,000)			(28,000)
Increase in amount due to a director	–	5	5	(5)	*5*	–
Increase in trade and other payables	2,193	–	2,193	5	*5*	2,198
Cash used in operations	(11,089)	(1)	(11,090)			(11,090)
Interest received	3,366	–	3,366			3,366
Hong Kong profits tax paid	(896)	–	(896)			(896)
Net cash outflow from operating activities	(8,619)	(1)	(8,620)			(8,620)
Cash flows from investing activities						
Payments to acquire property, plant and equipment	(300)	–	(300)			(300)
Dividend received	3	–	3			3
Decrease in pledged bank deposits	4,383	–	4,383			4,383
Payments to acquire a subsidiary	–	–	–	(326,084)	*1(i)*	(326,084)
Net cash inflow/(outflow) from investing activities	4,086	–	4,086			(321,998)
Cash flows from financing activities						
Deposits received from open offer	81,813	–	81,813			81,813
Issue of shares	–	1	1	(1)	*3(ii)*	–
Repayment of loans	(1,564)	–	(1,564)			(1,564)
Finance costs paid	(989)	–	(989)	(18,000)	*11*	(18,989)
Net cash inflow from financing activities	79,260	1	79,261			61,260

	Audited Consolidated Cash Flow Statement of the Group for the year ended 30 June 2007	Audited Cash Flow Statement of Best Max for the period from 10 January 2008 (date of incorporation) to 30 June 2008	Sub-total	Pro Forma adjustments	Notes	Unaudited Pro Forma Consolidated Cash Flow Statement of the Enlarged Group for the year ended 30 June 2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
Net increase/(decrease) in cash and cash equivalents	74,727	–	74,727			(269,358)
Cash and cash equivalents at the beginning of the year/period	86,265	–	86,265			86,265
Cash and cash equivalents at the end of the year/period	160,992	–	160,992			(183,093)
Analysis of balances of cash and cash equivalents						
Cash and bank balances	122,840	–	122,840			(221,245)
Cash at securities company	38,526	–	38,526			38,526
Bank overdrafts	(374)	–	(374)			(374)
	160,992	–	160,992			(183,093)

(IV) Notes to the Unaudited Pro Forma Financial Information on the Enlarged Group

Under HKFRS 3 Business Combinations ("HKFRS 3"), the Company will apply the purchase method to account for Acquisition. In applying the purchase method, the identifiable assets, liabilities and contingent liabilities of Best Max will be recorded on the consolidated balance sheet of the Company at their fair values at the date of completion. Any goodwill or discount arising on Acquisition will be determined as the excess or deficit of the purchase price to be incurred by the Company over the Company's interests in the net fair value of the identifiable assets, liabilities and contingent liabilities of Best Max at the date of completion. Negative goodwill resulting from the business combinations should be recognised immediately in the consolidated income statement.

The adjustments reflected the following:

1. The consideration for the Acquisition to be satisfied by Rich Pearl Enterprises Limited ("Rich Pearl") is approximately HK$4,320,000,000 (the "Consideration"). The Consideration is to be satisfied by:

	HK$'000
Cash consideration *(Note 1(i))*	325,000
Promissory Note (the "Promissory Note") *(Note 1(ii))*	1,200,000
Consideration shares (the "Consideration Shares") *(Note 1(iii))*	2,795,000
	4,320,000

(i) The cash consideration would be settled by Rich Pearl, (1) paying a refundable deposit in a sum of HK$50,000,000 to Mr. Choi Tai Wai ("Mr. Choi") on the date of the conditional sales and purchases agreement entered into among Rich Pearl as a purchases and Mr. Choi as vendor relating to the sale and purchases of the 100% issued share capital of Best Max (the "Share Acquisition Agreement") and (2) paying HK$275,000,000 in cash assuming that the Acquisition had been completed on 30 June 2007. The cash consideration shall be funded by the Company's internal resources. Together with estimated professional fees of approximately HK$1,084,000 directly related to the Acquisition, a total cash payment of approximately HK$326,084,000 would be made by the Company.

(ii) The carrying amount of the Promissory Note of approximately HK$705,786,000 represents the carrying value of the Promissory Note carried at amortised cost and is calculated using the effective interest rate method.

The carrying amount of Promissory Note was reconciled as follows:

	HK$'000
Principal amount	1,200,000
Fair value adjustments	(494,214)
Carrying amount on 30 June 2007	705,786

The fair value of the Promissory Notes as at 30 June 2007 was calculated by the discounted cash flow method by the Company. The fair value of approximately HK$705,786,000 was arrived at by calculating the present value through discounting the future payment at a discount rate of 7.5%.

(iii) Assuming the issue price of approximately HK$0.45 per share was the fair value of the Company as at 30 June 2007, HK$2,795,000,000 would be satisfied by procuring the Company to allot and issue the Consideration Shares. Upon the completion of the Acquisition, the share capital and share premium of the Company will increase by approximately HK$1,242,222,000 and $1,552,777,000 respectively.

2. The pro forma adjustment of approximately HK$4,500,005,000 represents the fair value adjustments of the interest in a profit sharing agreement over the carrying amounts as at 30 June 2007, as if the Acquisition was completed on 30 June 2007.

The fair values of these assets as at 30 June 2007 are determined with reference to valuation at 30 November 2007 carried out by BMI Appraisals Limited, an independent qualified professional valuers not connected to the Enlarged Group.

According to the valuation information provided by BMI Appraisals Limited, the valuation of the interest in a profit sharing agreement is based on market approach.

3. The pro forma adjustment of approximately HK$1,242,221,000 represents the net effect of the following:

(i) the increase in the share capital of the Company of approximately HK$1,242,222,000 as a result of issuance of 6,211,111,000 Consideration Shares at par value of HK$0.2 by the Company; and

(ii) the elimination of the share capital of approximately HK$1,000 of Best Max upon consolidation of the Enlarged Group.

4. The pro forma adjustment of approximately HK$2,139,427,000 represents the net effect of elimination of the pre-acquisition reserves, share premium arising from the issuance of Consideration Shares and negative goodwill arising from the Acquisition. Details are set out as follows:

	HK$'000
Elimination of pre-acquisition reserves	
– Accumulated loss	6
Share premium *(Note 4(i))*	1,552,777
Negative goodwill arising from the Acquisition *(Note 4(ii)*	586,643
	2,139,426

(i) Assuming the issue price of HK$0.45 was the fair value of the share of the Company at 30 June 2007, share premium of approximately HK$1,552,777,000 was recorded in the reserves resulting from the issuance of the Consideration Shares, as described in Note 1(iii) above.

(ii) The negative goodwill arising from the Acquisition was calculated on the basis of the excess of the consideration paid over the net fair value of the identifiable assets, liabilities and contingent liabilities of Best Max. Details are set out as follows:

	HK$'000
Fair value of the consideration *(note a)*	3,913,357
Less: Fair value of 100% interest in the net asset value in Best Max *(note b)*	(4,500,000)
Negative goodwill arising from the Acquisition	(586,643)

Note:

a. Fair value of the consideration is assumed as follows:

Cash consideration including transaction costs *(Note 1(i))*	326,084
Promissory Note *(Note 1(ii))*	705,786
Consideration shares *(Note 1(iii))*	2,795,000
	3,826,870
Deferred tax liabilities arising from issue of Promissory Notes *(Note)*	86,487
	3,913,357

The deferred tax liabilities arising from issue of Promissory Notes was arrived as follows:

	HK$'000
Principal amount of Promissory Notes	1,200,000
Fair value of Promissory Notes as at 30 June 2007	(705,786)
Temporary difference arising from issue of Promissory Notes	494,214
Deferred tax liabilities at appropriate tax rate of 17.5%	86,487

b.	Net book value of Best Max as at 30 June 2008	(5)
	Fair value adjustments on a profit sharing agreement *(Note 2)*	4,500,005
	Net assets value of Best Max at fair value as at 30 June 2008	4,500,000

5. The pro forma adjustment of approximately HK$5,000 represents re-allocation of amount due to a director of Best Max to other payable on consolidation.

6. In accordance with HKAS 32, the Company should classify the Promissory Notes as financial liabilities and carried as amortized cost using the effective interest rate. Taxable temporary difference will arise as a result of difference between the principal amount and carrying amount of the Promissory Notes and the difference between the effective interest rate and coupon rate of the Promissory Note. The pro forma adjustment represents deferred tax liabilities of approximately HK$86,487,000 arising from Promissory Note. Please also refer to Note 1(ii) for the details of the Promissory Note.

7. The pro forma adjustment of approximately HK$54,129,000 represents an annual finance cost of imputed interest expenses of Promissory Note to be expensed in the consolidated income statement of the Enlarged Group with the imputed interest rate of 8% for the year ended 30 June 2007. These interest expenses shall have continuing effect on the financial statements of the Enlarged Group in subsequent years.

8. The pro forma adjustment of approximately HK$6,323,000 represents the adjustment of the deferred tax effect on the Promissory Note credited to the unaudited pro forma consolidated income statement of the Enlarged Group for the year ended 30 June 2007.

9. The calculation of pro forma basic and diluted loss per share is based on the Enlarged Group's pro forma net loss attributable to the equity holders of the Company of approximately HK$543,476,000 and the number of ordinary shares of approximately 7,567,038,000 of the Enlarged Group upon the completion of the Acquisition.

   The number of ordinary shares of approximately 7,567,038,000 is derived from:

	HK$'000
Audited weighted average number of ordinary shares for the year ended 30 June 2007	1,355,927
Pro forma adjustment for the Consideration Share	6,211,111
Unaudited pro forma weighted average number of ordinary shares for the year ended 30 June 2007	7,567,038

10. The pro forma adjustment to the consolidated cash flow statement of approximately HK$532,514,000 represents the recognition of the finance cost of approximately HK$54,129,000 and negative goodwill of approximately HK$586,643,000 for the purpose of adjusting the profit before taxation.

11. The pro forma adjustment of approximately HK$18,000,000 represents the actual payments of interests for Promissory Note with a coupon rate of 1.5% for the year ended 30 June 2007.

The following is the text of a letter prepared for the purpose of incorporation in this circular received from BMI Appraisals Limited, an independent valuer, in connection with its valuation as at 30 June 2008 on the market value of a 100% equity interest in Best Max Enterprises Limited.

BMI APPRAISALS

BMI Appraisals Limited 中和邦盟評估有限公司

Suite 11-18, 31/F., Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong
香港灣仔港灣道6-8號瑞安中心3111-18室
Tel電話：(852) 2802 2191 Fax傳真：(852) 2802 0863
Email電郵：info@bmintelligence.com Website網址：www.bmintelligence.com

26 September 2008

The Directors
Neptune Group Limited
Units 1205-6, 12th Floor
Office Tower Two, The Harbourfront
Nos. 18-22 Tak Fung Street
Hunghom, Kowloon
Hong Kong

Dear Sirs,

INSTRUCTIONS

We refer to the instructions from Neptune Group Limited (referred to as the "Company") for us to provide our opinion on the market value of a 100% equity interest in Best Max Enterprises Limited (referred to as "Best Max") as at 30 June 2008 (the "date of valuation").

This report describes the background of Best Max and the basis of valuation and assumptions. It also explains the valuation methodology utilized and presents our conclusion of value.

BASIS OF VALUATION

Our valuation has been carried out on the basis of market value. Market value is defined as "*the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion*".

BACKGROUND OF BEST MAX

On 22 June 2008, Rich Pearl Enterprises Limited, a wholly-owned subsidiary of the Company, entered into a share acquisition agreement (referred to as the "Acquisition Agreement") to acquire from Mr. Choi Tai Wai (referred to as the "Mr. Choi"), 100% equity interest in Best Max for a total consideration of HK$4,320,000,000.

Best Max was incorporated on 10 January 2008 and is an investment holding company. The main asset of Best Max will be the profit stream (referred to as the "Star Profit") that is equivalent to 0.45% of the rolling turnover generated by Lucky Star Entretenimento Sociedade Unipessoal Lmitada (referred to as "Lucky Star") and its customers at Level 3 at the StarWorld Hotel & Casino in Macau. Lucky Star is operating junket/gaming promotion business of not less than 100 gaming tables. Other than the Star Profit, Best Max does not have any assets or liabilities as at the date of valuation.

BRIEF INDUSTRY OVERVIEW

The gaming industry is now a vital industry of Macau, contributing approximately 54% of Macau's GDP. In 2007, Macau's gaming revenue increased more than 45% compared to 2006, surpassing the Las Vegas Strip as the world's biggest casino market, followed by Atlantic City. (Please refer to Table 1)

Table 1 – Gaming Revenue of Various Locations

	2002	2003	2004	2005	2006	2007	Compounded Annual Growth
			(HK$ billions)				*(2002-2007)*
Macau	21.5	27.8	40.1	44.7	55.0	80.6	30.3%
Las Vegas Strip	36.3	37.1	41.6	47.1	52.2	53.3	8.0%
Atlantic City	32.9	33.9	36.5	38.1	39.5	38.4	3.1%

Sources: The Gaming Inspection and Coordination Bureau; Nevada Gaming Control Board; New Jersey Casino Contro Commission

The rapid growth of the gaming market in Macau has been mainly driven by several factors. Firstly, the opening of new mixed-use developments, together with the entertainment business, sports events, conventions, exhibitions and trade shows that they will bring to Macau, are transforming Macau into a major travel destination, attracting more regional visitors and visitors from outside the Asia-Pacific region.

Secondly, the Macau Government has devoted substantial resources to marketing campaigns that promote Macau's history, cultural heritage and hotel convention facilities, aiming to turn Macau into a premier integrated gaming and tourism centre. In 2005, the United Nations Educational, Scientific and Cultural Organization identified and inscribed the

"Historic Centre of Macau", comprising eight squares and twenty-two monuments, in its prestigious World Heritage List, pursuant to the terms of the Convention Concerning the Protection of the World Culture and Natural Heritage.

Lastly, the improvements of transportation to and within Macau have also contributed to continued growth in the number of tourists. Infrastructure projects that facilitate travel include Hong Kong-Zhuhai-Macau Bridge, Inner Harbour Ferry Terminal, Lotus Flower Bridge and boundary crossing, Macau International Airport expansion, Macau Light Railway System and Pac On Ferry Terminal.

On the other hand, however, the gaming industry in Macau is also facing critical challenges. Chinese government has just decided to tighten its tourism policy against Macau in order to cool down the rapid expansion of the Macau gambling industry and to control corruption of Chinese officials and its related illegal money laundering activities.

According to the latest policy, Guangdong Province has tightened the application of Guangdong residents on Macau visa from twice a month to once for every two months. The application of Macau visa for business purpose has also become more stringent. Some cities in the Guangdong Province have even suspended all applications to Macau. At present, more than 55% of the customers in Macau's gaming industry come from China. The new Chinese policy is expected to have a great impact on the future revenue of the industry.

Furthermore, statistics have shown that the growth of the number of gaming tables is much higher than that of the gaming revenue in the past few years. Despite that the total revenue of Macau gaming industry is growing continuously, the average revenue generated by each table is actually falling rapidly. As there are still several new casinos under construction, the increase in number of gaming and gaming-related facilities is still likely to continue and competition in gaming industry is expected to be more fierce in the coming few years. (Please refer to Table 2)

Table 2 – Growth of Gaming Revenue vs. Growth of Gaming Tables

		2003	**2004**	**2005**	**2006**	**2007**
Gaming Revenue	Revenue *(HK$ mill)*	27,837	40,173	44,706	54,974	80,604
	Growth	–	44.3%	11.3%	23.0%	46.6%
Gaming Table	No. of Tables	424	1,092	1,388	2,762	4,375
	Growth	–	157.5%	27.1%	99.0%	58.4%

Sources: The Gaming Inspection and Coordination Bureau

SOURCE OF INFORMATION

For the purpose of our valuation, we were furnished with the financial and operational data related to Best Max, which were provided by the senior management of the Company and Mr. Choi.

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

- The business nature of Best Max;
- The financial and operational information of Best Max;
- The specific economic environment and competition for the market in which Best Max is exposed to; and
- The financial and business risks of Best Max, including the continuity of income and the projected future results.

SCOPE OF WORKS

In the course of our valuation work for Best Max, we have conducted the following steps to evaluate the reasonableness of the adopted bases and assumptions provided by the senior management of the Company and Mr. Choi:

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

VALUATION ASSUMPTIONS

Due to the changing environment in which Best Max is operating, a number of assumptions had to be established in order to sufficiently support our concluded opinion of value of Best Max. The major assumptions adopted in our valuation were:

- There will be no major changes in the existing political, legal, and economic conditions in the jurisdiction where Best Max currently operates or will operate, which will materially affect the revenues attributable to Best Max;

- There will be no major changes in the current taxation law in the jurisdiction related to Best Max, that the rates of tax payable remain unchanged and that all applicable laws and regulations will be complied with;

- The financial information in respect of Best Max have been prepared on a reasonable basis, reflecting estimates that have been arrived at after due and careful considerations by the senior management of the Company and Mr. Choi; and

- Economic conditions will not deviate significantly from economic forecasts.

VALUATION METHODOLOGY

Three generally accepted valuation methodologies have been considered in valuing Best Max. They are the *market approach*, the *cost approach* and the *income approach*.

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

The *cost approach* provides indications of value by studying the amounts required to recreate the asset for which a value conclusion is desired. This approach seeks to measure the economic benefits of ownership by quantifying the amount of fund that would be required to replace the future service capability of the asset.

The *income approach* is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for the asset than an amount equal to the present worth of anticipated future benefits from the same or a substantially similar asset with a similar risk profile.

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

We used the market approach by referring to the recent sale and purchase transactions (referred to as the “Comparable Transactions”) of other companies under the same industry in terms of their business nature, turnover bases and locations during the period from January 2007 to June 2008. All Comparable Transactions occurred in Macau, and they all operate junket representative business and receive similar commission bases. In addition, they are the only relevant transactions that occurred in the market which are considered as a complete list of transactions by using our best effort.

We then estimated the market value of Best Max by considering the profit guarantee with reference to the Comparable Transactions. (Please refer to Table 3)

The details of the calculations are shown in the following:

Profit guarantee for Best Max from June 2008 to June 2009
= HK$513,000,000 + 513,000,000
= HK$1,026,000,000

Market Value of Best Max based on Consideration/ Guaranteed Profit ratio
= HK$1,026,000,000 X 5.48 X (1-20%)
= HK$4,497,984,000
= say, HK$4,500,000,000

Table 3 – Details of the Comparable Transactions

Time of Transaction	Purchaser	Stock Code	Target	Acquired % of Target	Target Location	Consideration *(HK$)*	Effective Interest in Guaranteed Profit* Jun 2008–2009	Consideration/ Guarantee Profit 2009
March 2007	Teem Foundation Group Ltd	628.HK	Richsense	100%	Macau	765,000,000	140,250,000	5.45
Aug 2007	China Star Entertainment Limited	326.HK	Best Mind	51%	Macau	538,000,000	97,878,754	5.50
Sep 2007	Dore Holdings Limited	628.HK	Triple Gain	60%	Macau	993,600,000	185,451,959	5.36
Oct 2007	China Star Entertainment Limited	326.HK	Best Mind	49%	Macau	516,900,000	83,725,899	6.17
Dec 2007	Dore Holdings Limited	628.HK	Triple Gain	40%	Macau	806,400,000	123,634,639	6.52
May 2008	Dore Holdings Limited	628.HK	Leading Century	100%	Macau	224,320,000	48,000,000	4.67
							Median**	5.48

* Effective Interest in Guaranteed Profit = Guaranteed Profit of the period x Acquired % of Target

** Median is defined as the number separating the higher half of a list of numbers from the lower half. The median of a list of numbers can be found by arranging all the observations from lowest value to highest value and picking the middle one. Median is a popular technique in summarizing statisical data as it is a more robust measure in the presence of outlier values than is the mean.

The basic underlying assumption for the market transaction approach is that all the purchasers of the comparable transactions have taken into full consideration all factors and uncertainties that might affect their future businesses before they actually performed such transactions. As mentioned in the industry overview, however, Chinese government has decided to tighten the application of Chinese residents for Macau visa since September 2008. As the new government policy is implemented after the completion of most of the Comparable Transactions, we determined that it would be more conservative to adopt a discount on the valuation.

According to the statistics made by the Gaming Inspection and Coordination Bureau of Macau, the long term historical growth of the revenue generated by the gaming industry in Macau is 30.3% (Please refer to Table 1). It was a general consensus that the industry would be able to keep a similar pace of growth in the following years before the announcement of the new policy. After announcement of the new policy, however, various research institutes have revised their projections on future growth of the gaming industry to reflect the impact of the policy. The median of the growth projections of the industry based on their latest research reports was lowered to approximately 23%. This indicates that the new policy is expected to reduce the growth of the industry by 1-(23%/30.3%) = 24%. As the revenue of Best Max is still protected by the profit guarantee for the next 3 years, we considered that a discount of 20% would be appropriate.

VALUATION COMMENTS

For the purpose of this valuation and in arriving at our opinion of value, we have referred to the information provided by the senior management of the Company and Mr. Choi as well as the information of the Comparable Transactions to estimate the value of Best Max. We have also sought and received confirmation from the Company that no material facts have been omitted from the information supplied.

To the best of our knowledge, all data set forth in this report are true and accurate. Although gathered from reliable sources, no guarantee is made nor liability assumed for the accuracy of any data, opinions, or estimates identified as being furnished by others, which have been used in formulating this analysis.

REMARKS

Unless otherwise stated, all money amounts stated herein are in Hong Kong Dollars (HK$).

CONCLUSION OF VALUE

Our conclusion of value is based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of a lot of uncertainties, not all of which can be easily ascertained or quantified.

Further, whilst the assumptions and consideration of such matters are considered by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Company, Best Max or us.

Based on our investigation and analysis outlined in this report, it is our opinion that the market value of the 100% equity interest in Best Max as at 30 June 2008 was **HK$4,500,000,000 (HONG KONG DOLLARS FOUR THOUSAND FIVE HUNDRED MILLION ONLY)**.

We hereby certify that we have neither present nor prospective interest in the Company, Best Max or the value reported.

Yours faithfully,
For and on behalf of
BMI APPRAISALS LIMITED

Marco T.C. Sze
B.Eng(Hon), MBA(Acct), CFA, AICPA
Director

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

Notes:

1. Mr. Marco Sze holds a Master's Degree of Business Administration in Accountancy from the City University of New York – Baruch College and is a holder of Chartered Financial Analyst. He is also a member of the American Institute of Certified Public Accountants. He has about 3 years' experience in valuing similar assets or companies engaged in similar business activities as that of Best Max in Hong Kong, China and the Asia-Pacific Region.

2. Dr. Tony C. H. Cheng is a member of the Hong Kong Institute of Surveyors (General Practice), a member of the American Society of Civil Engineers, a member of the American Society of Mechanical Engineers and a member of Institute of Industrial Engineers (U.K.). He has about 12 years' experience in valuing similar assets or companies engaged in similar business activities as that of Best Max worldwide.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. SHARE CAPITAL

As at the Latest Practicable Date

50,000,000,000 Shares of HK$0.20 each	HK$10,000,000,000

Issued and to be issued, fully paid or credited as fully paid (assuming none of the Options has been exercised):

As at the Latest Practicable Date

3,847,244,500 Shares in issue	HK$ 769,448,900
6,211,111,111 Shares to be issued on Completion	HK$1,242,222,222
	HK$2,011,671,122

Issued and to be issued, fully paid or credited as fully paid (assuming all of the Options have been exercised in full):

As at the Latest Practicable Date

4,020,586,500 Shares in issue	HK$ 804,117,300
6,211,111,111 Shares to be issued on Completion	HK$1,242,222,222
	HK$2,046,339,522

3. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

(a) Shares

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short position which they were taken or deemed to have under such provision of the SFO); (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"), to be notified to the Company and the Stock Exchange, was as follows:

Name of Director	Nature of Interest	Total number of Shares held	Approximate percentage over all issued Shares
Mr. Lin Cheuk Fung	Personal Interest	375,000,000 (L)	9.75%

L: Long Position

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO), which (i) were required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including the interests and short positions, if any, which they were taken or deemed to have under such provisions of the SFO); (ii) were required pursuant to Section 352 of the SFO, to be entered in the register referred to in such provisions of the SFO; or (iii) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

(b) Options

The Company operates a share option scheme (the "Scheme") under which the directors may, at their discretion, grant option to employees, including any of the directors of the Company, to subscribe for shares in the Company, subject to the stipulated terms and conditions. Details of the share options granted to Company's Directors under the Scheme as at the Latest Practicable Date are as follow:

Name of Director	Number of Share options held	Percentage of issued option
Mr. Lin Cheuk Fung	90,000	1.02%
Mr. Chan Shiu Kwong, Stephen	88,000	1.00%
Mr. Lau Kwok Hung	88,000	1.00%
Mr. Wan Yau Shing, Ban	3,000,000	33.93%

Save as disclosed above, none of the Company's Directors and chief executives, or their spouses or children under the age of 18, had any rights to subscribe for the securities of the Company or had exercised any such rights during the year.

(c) Interests and Short Position of Substantial Shareholders

So far as is known to the Directors or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the shares, underlying shares or debenture of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would fall to be disclosed uner provision of Division 2 and 3 of Part XV of the SFO, or who, as at the Latest Practicable Date, was directly and indirectly interested in ten per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member the Enlarged Group:

Name of Shareholder	Capacity	Total number of Shares held	Approximate percentage over all issued Shares
Ultra Choice Limited *(Note 1)*	Beneficial owner	720,000,000 (L)	18.71%
Ms. Lei In Peng	Interest in controlled corporation	720,000,000 (L)	18.71%
Faith Mount Limited *(Note 2)*	Beneficial owner	720,000,000	18.71%
Ms. Luu Muoi Heng	Interest in controlled corporation	720,000,000	18.71%

L: Long Position

Notes:

1. Ultra Choice Limited is wholly and beneficial owned by Ms. Lei In Peng, an Independent Third Party.

2. Faith Mount Limited is wholly and beneficial owned by Ms. Luu Muoi Heng, an Independent Third Party.

Save as disclosed above, there are no persons (other than a Director or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which would fall to be disclosed under provision of Division 2 and 3 of Part XV of SFO, or who, as at the Latest Practicable Date, was directly and indirectly interested in ten per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member the Enlarged Group.

4. DIRECTORS' OTHER INTERESTS

As at the Latest Practicable Date, none of the Directors nor their respective associates had any business or interest that competes or may compete with the business of the Group or any other conflicts of interest with the Enlarged Group.

There is no contract or arrangement entered into by any member of the Enlarged Group subsisting at the date of this circular in which any Director is materially interested and which is significant to the business of the Enlarged Group.

5. LITIGATION

As at the Latest Practicable Date, none of the members of the Enlarged Group was engaged in any litigation or claims of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Enlarged Group.

6. SERVICES CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any service contracts with any member of the Group which was not determinable by such member of the Group within one year without payment of compensation other than statutory compensation.

7. EXPERTS AND CONSENTS

The followings are the qualifications of the experts who have given opinion and advise, which is contained in this circular (the "Experts"):

Name	Qualification
HLB Hodgson Impey Cheng	Chartered Accountants, Certified Public Accountants
BMI Appraisals Limited	Professional Business Valuer
Robertsons	Legal advisers as the Hong Kong law
Leung Hon Man Law Office	Legal advisers as to Macau law

Each of the Experts has given and has not withdrawn their written consent to the issue of this circular with the inclusion of their respective letters and references to their names in the form and context in which they appear.

8. EXPERT'S INTEREST IN ASSETS

As at the Latest Practicable Date, each of the Experts:

(a) was not interested, directly or indirectly, in any assets which have been acquired or disposed of by or leased to an member of the Enlarged Group or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group since 30th June, 2007, being the date to which the latest published audited accounts of the Company were made up; and

(b) did not have any shareholding interest in any member of the Enlarged Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group.

9. MATERIAL ADVERSE CHANGE

The Directors confirm that, as at the Latest Practicable date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 30th June, 2007, being the date to which the latest published audited accounts of the Company were made up.

10. MISCELLANEOUS

(a) The registered office and the principal place of business of the Company is Units 1205-6, Office Tower Two, The Harbourfront, 18-22 Tak Fung Street, Hunghom, Kowloon, Hong Kong.

(b) The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited of Room 1806-7, 18th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(c) The Secretary of the Company is Mr. Lau Kwok Hung who is a fellow of the Hong Kong Institute of Certified Public Accountants.

(d) The qualified accountant of the Company is Mr. Chan Shiu Kwong, Stephen who is a member of Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Secretaries and Administrators, the Hong Kong Institute of Company Secretaries and fellow of CPA (Australia).

(e) The English text of this circular shall prevail over the Chinese text in the event of inconsistency.

11. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by the members of the Enlarged Group within the two years immediately preceding the Latest Practicable Date:

(i) an agreement dated 12 December 2006 entered into by the Company and Hoi Tak Shipping Ltd. for an advance of HK$17,500,000 on the term of repayment date on 30 June 2007 at an interest rate 9.5% per annum;

(ii) an agreement dated 8 January 2007 entered into between the Company and Champion Forest Source Holdings Company Limited for an advance of H$K17,500,000 on the term of repayment not longer than 5 months from the drawdown date at an interest rate of 9.5% per annum;

(iii) an agreement dated 16 January 2007 entered into between the Company, Mr. Guo, Hou Wan and Certain Champ Limited relating to the acquisition of the entire issued share capital of Credible Limited;

(iv) an underwriting agreement dated 16 January 2007 entered into between the Company, Jumbo Boom Holdings Limited and Kingston Securities Limited relating to the open offer by the Company of 719,881,500 Shares;

(v) an agreement dated 8 May 2007 entered into between the Company, Ms. Lao Sio Meng and Hoi Seng Sociedade Unipessoal Limitada relating to the acquisition of the entire issued share capital of Koppert International Limited;

(vi) a subscription agreement dated 23 July 2007 entered into between the Company and Mr. Lin Cheuk Fung regarding the subscription of the 247,600,000 new shares in the Company;

(vii) the agreement dated 16 November, 2007 entered into between Stand Great Limited, Ultra Choice Limited and Ms. Lei In Peng relating to the sale and purchase of shares in Profit Forest Limited;

(viii) the agreement dated 16 November, 2007, entered into between Hero Will Limited, Faith Mount Limited and Ms. Luu Muoi Heng relating to the sale and purchase of shares in Sky Advantage Limited;

(ix) the Share Acquisition Agreement;

(x) an agreement dated 22 June, 2008 entered into between Best Max, Mr. Choi and Lucky Star relating to be sale and purchase of the Star Profit;

(xi) the Deed of Variation dated 27 June, 2008 relating to the Share Acquisition Agreement; and

(xii) the Loan Agreement.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at Room 1807, 18/F, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong during normal business hours on any weekday other than public holidays, up to and including the date of the EGM:

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

(b) the material contracts referred to in the paragraph headed "Material Contracts" to this Appendix;

(c) the service contract referred to in the paragraph headed "Service Contract" in this circular;

(d) the annual reports of the Group for the three financial years ended 30th June, 2007;

(e) a copy of each of the circulars issued by the Company pursuant to the requirements set out in Chapter 14 and/or 14A of the Listing Rules since 30th June, 2007 (being the date to which the latest published audited consolidated financial statement of the Group was made up);

(f) the accountants' report on Best Max, the text of which is set out in Appendix II to this circular.

(g) the letter from HLB Hodgson Impey Cheng in respect of the pro-forma financial information set out in Appendix IV to this circular;

(h) the asset valuation report prepared by BMI Appraisals Limited, the text of which is set out in Appendix VI to this circular;

(i) the written consents from the experts referred to in the paragraph headed "Experts" in this appendix;

(j) all legal opinions referred to in this circular;

(k) this circular.

NEPTUNE GROUP LIMITED
海 王 國 際 集 團 有 限 公 司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00070)

NOTICE IS HEREBY GIVEN that the extraordinary general meeting of Neptune Group Limited (the "Company") will be held at The Royal Pacific Hotel and Towers, Pacific Room I, 9th Floor, Towers Wing, 33 Canton Road, China Hong Kong City, Tsimshatsui, Kowloon, Hong Kong on 20th October, 2008 at 10:00 a.m., for the purpose of consideration and, if thought fit, passing with or without modification the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT**

(a) the conditional sale and purchase agreement dated 22nd June, 2008 (as varied by the deed of variation dated 27th June, 2008) entered into between Rich Pearl Enterprises Limited as purchaser, and Mr. Choi Tai Wai as vendor relating to the acquisition of a 100% of the total issued share capital of Best Max Enterprises Limited (the "Share Acquisition Agreement") at an aggregate consideration of HK$4,320,000,000 (a copy of which has been produced to the meeting marked "A" and signed by the Chairman of the meeting for the purpose of identification) be and is hereby approved, ratified and confirmed in all respects and that all transactions contemplated under the Share Acquisition Agreement be and is hereby approved and that any one director of the Company be and is hereby authorised to do or execute all such acts or such other documents which the director may deem to be necessary, desirable or expedient to carry into effect or to give effect to the Share Acquisition Agreement and all transaction contemplated under the Share Acquisition Agreement;

(b) subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting the listing of and permission to deal in the Consideration Shares (as defined below), the directors of the Company be and are hereby authorised to allot and issue and aggregate of up to approximately 6,210,000,000 new Shares (the "Consideration Share") in the authorised capital of the Company at HK$0.45 per Consideration Share and credited as fully paid upon completion of the Share Acquisition Agreement and that the Consideration Shares shall, when allotted and issued, rank pari passu in all respects with all other shares in the Company in issue on the date of such allotment and issue, and that any directors of the Company be and are hereby authorised to do all things and acts and sign all documents which they consider necessary, desirable or expedient in connection with the issue of the Consideration Shares;

(c) the issue of HK$1,200,000,000 promissory note to Mr. Choi Tai Wai as part consideration under the Share Acquisition Agreement (the "Promissory Note") upon completion of the Share Acquisition Agreement be and is hereby approved and the Directors be and are hereby authorised to issue the Promissory and do all such acts and things as they consider necessary, desirable or expedient in connection with the issue of the Promissory Note; and

(d) the loan agreement dated 22nd June, 2008 and entered into among the Company, Peak Wing Enterprises Limited ("Peak Wing") and Mr. Choi Tai Wai relating to the loan facility in the amount of up to HK$6 billion to be granted by the Company to Peak Wing (the "Loan Agreement") (a copy of which has been produced to the meeting marked "B" and signed by the Chairman of the meeting for the purpose of identification) be and is hereby approved, ratified and confirmed in all respects and that all transactions contemplated under the Loan Agreement be and are hereby approved and that any one director of the Company be and is hereby authorised to do or execute all such acts or such documents which the director may deem to be necessary, desirable or expedient to carry into effect or to give effect to the Loan Agreement and all transactions contemplated under the Loan Agreement including the entering into of ancillary and incidental security documents."

By Order of the Board
Neptune Group Limited
Lin Cheuk Fung
Chairman

Hong Kong, 26 September, 2008

Head office and principal place of business in Hong Kong:
Units 1205-6
12/F., Office Tower Two
The Harbourfront
18-22 Tak Fung Street
Hunghom
Kowloon
Hong Kong

Notes:

1. A form of proxy for use at the meeting is enclosed herewith.

2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of any officer, attorney or other person authorised to sign the same.

3. Any shareholder of the Company entitled to attend and vote at the meeting convened by the above notice shall be entitled to appoint one or more proxies to attend and vote instead of him. A proxy needs not be a shareholder of the Company.

4. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney or authority, must be deposited at the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding of the above meeting or any adjournment thereof.

5. Completion and return of the form of proxy will not preclude a shareholder of the Company from attending and voting in person at the meeting convened or at any adjourned meeting and in such event, the form of proxy will be deemed to be revoked.

6. Where there are joint holders of any share of the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the meeting, the most senior shall alone be entitled to vote, whether in person or by proxy. For this purpose, seniority shall be determined by the order in which the names stand on the register of members of the Company in respect of the joint holding.