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# **Neptune Group Limited** **海王集團有限公司**

*(Incorporated in Hong Kong with limited liability)*  
**(Stock Code: 70)**

## **VERY SUBSTANTIAL ACQUISITIONS AND RESUMPTION OF TRADING**

### **Share Acquisition Agreement I**

On 16th November, 2007 (after trading hours), Stand Great, a wholly-owned subsidiary of the Company entered into the Share Acquisition Agreement I to acquire from Ultra Choice, 85% of the total issued share capital of Profit Forest for a total consideration of HK\$1,144,440,000.

Under the Share Acquisition Agreement I, the consideration for the Acquisition I shall be satisfied by Stand Great (1) paying a refundable deposit in a sum of HK\$25,000,000 on the date of the Share Acquisition Agreement and paying HK\$57,440,000 in cash upon Completion I; (2) procuring the Company to issue the Convertible Bond I in a principal amount of HK\$846,000,000 to Ultra Choice upon Completion I; and (3) procuring the Company to allot and issue the Consideration Shares I at an issue price of HK\$0.30 per Consideration Share I, credited as fully paid for the rest of the consideration in a sum of HK\$216,000,000 upon Completion I.

Profit Forest is an investment holding company and is wholly owned by Ultra Choice. The main asset of Profit Forest will be the Hao Cai Profit, the profit stream acquired by it under the Hao Cai Profit Agreement.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Ultra Choice and its ultimate beneficial owner, Ms. Lei, are Independent Third Parties.

### **Share Acquisition Agreement II**

On 16th November, 2007 (after trading hours), Hero Will, a wholly-owned subsidiary of the Company entered into the Share Acquisition Agreement II to acquire from Faith Mount, 85% of the total issued share capital of Sky Advantage for a total consideration of HK\$381,480,000.

Under the Share Acquisition Agreement II, the consideration for the Acquisition II shall be satisfied by Hero Will (1) paying a refundable deposit in a sum of HK\$10,000,000 to Faith Mount on the date of the Share Acquisition Agreement II; and paying HK\$17,480,000 in cash upon Completion II; (2) procuring the Company to issue the Convertible Bond II in a principal amount of HK\$138,000,000 to Faith Mount upon Completion II; and (3) procuring the Company to allot and issue the Consideration Shares II at an issue price of HK\$0.30 per Consideration Share II, credited as fully paid for the rest of the consideration in a sum of HK\$216,000,000 upon Completion II.

Sky Advantage is an investment holding company and is wholly owned by Faith Mount. The main asset of Sky Advantage will be the Neptune Ouro Profit, the profit stream acquired by it under the Neptune Ouro Profit Agreement.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Faith Mount and its ultimate beneficial owner, Ms. Luu, are Independent Third Parties.

As the relevant percentage ratios as referred to in Chapter 14 of the Listing Rules for the Acquisitions are more than 100%, the Acquisitions constitute together a very substantial acquisition on the part of the Company under Chapter 14 of the Listing Rules.

Accordingly, the Acquisitions are subject to, among other things, the approval by the Shareholders at the EGM. As no Shareholder has a material interest in the Acquisitions which is different from the other Shareholders, no Shareholder is required to abstain from voting at the EGM. The Share Acquisition Agreement I and Share Acquisition Agreement II are not interconditional.

A circular containing, among other things, further information in respect of the Acquisitions, increase in the authorised share capital together with the notice of the EGM will be despatched to the Shareholders in accordance with the Listing Rules.

At the request of the Company, trading in the Shares was suspended with effect from 9:30 a.m. on 19th November, 2007 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for resumption of trading in the Shares with effect from 9:30 a.m. on 30th November, 2007.

## **THE SHARE ACQUISITION AGREEMENT I**

Date: 16th November, 2007 (after trading hours)

Parties:

Purchaser: Stand Great, a wholly-owned subsidiary of the Company

Vendor: Ultra Choice

Warrantors: Ultra Choice and Ms. Lei

Ultra Choice is an investment holding company wholly-owned by Ms. Lei. Ultra Choice holds the entire issued share capital of Profit Forest which receives Hao Cai Profit and it does not carry out any casino or gaming promotion activities in either Hong Kong or Macau. Therefore, the business activities of Ultra Choice will not constitute unlawful activities under the laws of Hong Kong and Macau.

Ultra Choice and its ultimate beneficial owner, Ms. Lei, are Independent Third Parties.

## Assets to be acquired

Pursuant to the Share Acquisition Agreement I, Stand Great has agreed to acquire and Ultra Choice has agreed to sell and Ms. Lei has agreed to use her best endeavours to procure Ultra Choice to sell, as a legal and beneficial owner, the Sale Shares I, being 85 shares of US\$1.00 each in the share capital of Profit Forest, representing 85% of the total issued share capital of Profit Forest, 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 I or subsequently becoming attached to them.

## CONSIDERATION I

The total consideration for the Sale Shares I is HK\$1,144,440,000 and shall be settled by Stand Great:

- (a) paying a refundable deposit to Ultra Choice in a sum of HK\$25,000,000 on the date of the Share Acquisition Agreement I and paying HK\$57,440,000 in cash upon Completion I;
- (b) procuring the Company to issue the Convertible Bond I in a principal amount of HK\$846,000,000 to Ultra Choice; and
- (c) procuring the Company to allot and issue the Consideration Shares I at an issue price of HK\$0.30 per Consideration Shares I, credited as fully paid for the balance of the consideration in a sum of HK\$216,000,000 to Ultra Choice.

If the conditions set out in the section headed “Conditions precedent” have not been satisfied on or before 30th April, 2008, or such later date as Ultra Choice and Stand Great may agree (the “**Long Stop Date**”) or following the fulfillment of the conditions set out in the section headed “Conditions precedent”, Ultra Choice or Stand Great shall fail to complete the sale and purchase of the Sale Shares I in accordance with the terms and conditions in the Share Acquisition Agreement I, Ultra Choice shall return to Stand Great, without interest, all the moneys already paid as deposit to Ultra Choice by Stand Great under the Share Acquisition Agreement I within seven days from the Long Stop Date or from the date when the Vendor or the Purchaser fails to complete the sale and purchase of the Sale Shares I in accordance with the terms and conditions of the Share Acquisition Agreement I.

The consideration is determined after arm’s length negotiation between Stand Great and Ultra Choice after considering the First Profit Guarantee I, the Second Profit Guarantee I, the Third Profit Guarantee I, the Fourth Profit Guarantee I, the Fifth Profit Guarantee I and the Sixth Profit Guarantee I and the corresponding price earning multiple based on the average guaranteed Hao Cai Profit for the First Relevant Period I, the Second Relevant Period I, the Third Relevant Period I, the Fourth Relevant Period I, the Fifth Relevant Period I and the Sixth Relevant Period I of HK\$122,375,000 per half year, the price earning multiple of the acquisition of 85% equity interest in Profit Forest and the Hao Cai Profit that Stand Great is entitled to share through its 85% equity interest in Profit Forest, whose main asset is the Hao Cai Profit, the continuous economic boom in Macau, the attractiveness of the casino that Hao Cai 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, 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 for the year of 2006 amounted to MOP 57.52 billion. 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 2006.

Pursuant to the Hao Cai Profit Agreement, Ms. Lei, who owns the entire issued share capital of Hao Cai, has irrevocably and unconditionally guaranteed to Profit Forest that the Hao Cai Profit for the First Relevant Period I, the Second Relevant Period I, the Third Relevant Period I, the Fourth Relevant Period I, the Fifth Relevant Period I and the Sixth Relevant Period I shall not be less than HK\$101,250,000, HK\$106,500,000, HK\$117,000,000, HK\$128,250,000, HK\$135,000,000 and HK\$146,250,000 respectively. In the event the Profit Guarantees I are not achieved, Ms. Lei has undertaken to pay to Profit Forest the difference between the actual Hao Cai Profit received and/or receivable by Profit Forest for the First Relevant Period I, or as the case may be, the Second Relevant Period I or as the case may be, the Third Relevant Period I or as the case may be, the Fourth Relevant Period I or as the case may be, the Fifth Relevant Period I or as the case may be, the Sixth Relevant Period I and the guaranteed Hao Cai Profit for the same period within 60 days after the relevant periods. The Profit Guarantees I are still enforceable even if the Hao Cai Junket Representative Agreement cannot be renewed during the First Relevant Period I, the Second Relevant Period I, the Third Relevant Period I, the Fourth Relevant Period I, the Fifth Relevant Period I or the Sixth Relevant Period I. The Board is aware of the Monthly Rolling Turnover generated by Hao Cai and also the amount of capital deposit required to be made by Hao Cai in carrying on its junket/gaming promotion business. As such, the Board believes that as Ms. Lei owns the entire issued quota of Hao Cai, she should have sufficient credit worthiness for this guarantee. The Consideration I represents a premium of approximately 83.37% to the 85% of the aggregate amount of Profit Guarantee I. The Board considers this fair and reasonable as the acquisition of the profit stream from Hao Cao is for indefinite length of time.

The First Profit Guarantee I of not less than HK\$101,250,000 is determined with reference to the existing and expected business performance of Hao Cai and the 12 tables that Hao Cai operates at the Venetian.

The Second Profit Guarantee I, the Third Profit Guarantee I, the Fourth Profit Guarantee I, the Fifth Profit Guarantee I and the Sixth Profit Guarantee I of not less than HK\$106,500,000, HK\$117,000,000, HK\$128,250,000, HK\$135,000,000 and HK\$146,250,000 respectively is determined with reference to the expected business growth and the potential of Hao Cai to be appointed as a junket representative in other VIP gaming rooms in Macau.

Stand Great can indirectly share 85% of the Hao Cai Profit from the date of Completion I. As Stand Great, which will own 85% equity interest in Profit Forest after the Acquisition I, is entitled to share 85% of the Hao Cai Profit, the total consideration of HK\$1,144,440,000 represents approximately 5.5 times the 85% of the average guaranteed Hao Cai Profit for the First Relevant Period I, the Second Relevant Period I, the Third Relevant Period I, the Fourth Relevant Period I, the Fifth Relevant Period I and the Sixth Relevant Period I, which is HK\$122,375,000 per half year. The Directors have made reference to the price earning multiple of approximately 5.5 times the 85% of the average guaranteed Hao Cai Profit when arriving at the consideration for the Acquisition I. Given 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 (such as China Star Entertainment Limited and Dore Holdings Limited which were both on 5.5 times as disclosed in their respective announcements 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, Ultra Choice has undertaken that:

- (1) Convertible Bond I in a principal sum of HK\$423 million (“Escrowed Bond I”) will be held in escrow by the Company’s legal advisers (or such other escrow agent as may be agreed between the parties) until the guaranteed Hao Cai Profit is fully paid by Ms. Lei to Profit Forest.

To the extent that the guaranteed Hao Cai Profit for the relevant period is not met/attained by Hao Cai, the relevant Certificates to Convertible Bond I shall continue to be held in escrow until the end of the First Relevant Period I, the Second Relevant Period I, the Third Relevant Period I, the Fourth Relevant Period I, the Fifth Relevant Period I or the Sixth Relevant Period I (as the case may be) and until the First Profit Guarantee I, the Second Profit Guarantee I, the Third Profit Guarantee I, the Fourth Profit Guarantee I, the Fifth Profit Guarantee I or the Sixth Profit Guarantee I is met/attained (as the case may be);

- (2) in the event that Ms. Lei fails to pay, in whole or in part, any shortfall between the Hao Cai Profit guaranteed and the Hao Cai Profit actually received and/or receivable by Profit Forest during the First Relevant Period I, the Second Relevant Period I, the Third Relevant Period I, the Fourth Relevant Period I, the Fifth Reliant Period I or the Sixth Relevant Period, Stand Great can at any time following the failure to pay by Ms. Lei instruct the escrow agent to deduct the shortfalls on a dollar for dollar basis from the escrowed certificates under the Convertible Bond I with any balance (if any) of the Convertible Bond I to be returned to Ultra Choice; and
- (3) if the junket licence of Hao Cai is cancelled, revoked, terminated, or is not renewed, or amended in a material and adverse manner to Hao Cai (as the case may be) by the relevant authorities in Macau at any time before the maturity date of the Convertible Bond I, Ultra Choice shall return the then outstanding Convertible Bond I to the Company and the Company shall not be obliged to pay any outstanding sum under the then outstanding Convertible Bond I.

Further announcement will be made by the Company if the Profit Guarantees I for any of the relevant periods is not met or if any of the situations in respect of the junket licence mentioned in paragraph (3) above happens. Any payments to be made by Ms. Lei in respect of any shortfalls shall be made 5 Business Days after the end of the relevant period. 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 Ultra Choice. 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 Hao Cai Profit as compared to the risk of the unsecured exposure of the Profit Guarantee I. Ultimately it was a commercial decision to weigh the exposure/risk to the commercial benefit of the transaction.



## **Conditions precedent**

Completion is subject to the following conditions having been fulfilled:

- (a) Stand Great being in its reasonable discretion satisfied with the results of the due diligence investigation in respect of Profit Forest including but not limited to the affairs, business, assets, results, legal and financing structure of Profit Forest (in particular, the Hao Cai Profit Agreement);
- (b) Stand Great having received to its reasonable satisfaction a Macanese legal opinion on the legality and validity of the Hao Cai Profit Agreement, the gaming licence held by Hao Cai and the transactions contemplated thereunder;
- (c) no event having occurred since the date of the Share Acquisition Agreement I to Completion I, the consequence of which is to materially and adversely affect the financial position, business or property, results of operations or business prospects of Profit Forest and such material adverse effect shall not have been caused;
- (d) the warranties given by Ultra Choice and Ms. Lei remaining true and accurate and not misleading at Completion I as if repeated at Completion I and at all times between the date of the Share Acquisition Agreement I and Completion I;
- (e) the passing by the Shareholders at the EGM to be convened and held of an ordinary resolution to approve the Share Acquisition Agreement I, the Capital Increase, and the transactions contemplated thereunder, including but not limited to the allotment and issue of the Consideration Shares I to Ultra Choice credited as fully paid at the Issue Price I and the issue of the Convertible Bond I;
- (f) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Consideration Shares I;
- (g) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Conversion Shares I; and
- (h) the completion of Hao Cai Profit Acquisition Agreement.

## **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 I having been fulfilled or at such other time as may be agreed between Ultra Choice and Stand Great.

The Company will allot and issue the Consideration Shares I and the Convertible Bond I to Ultra Choice upon Completion I. Upon Completion I, Profit Forest 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 85% of the total issued share capital of Profit Forest upon Completion I, 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 Hao Cai's gaming promoter business through Profit Forest; 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 Hao Cai from time to time to provide information concerning its operation of the gaming promoter business, including evidence concerning the actual Rolling Turnover generated by Hao Cai.

## **Long-stop date**

The Share Acquisition Agreement I provides that should the satisfaction of all the above conditions not occur on or before 30th April, 2008 or such other date as the parties thereto may agree, the Share Acquisition Agreement I shall terminate.

## **TERMS OF CONSIDERATION SHARES I**

720,000,000 Consideration Shares I will be allotted and issued at an issue price of HK\$0.30 per Consideration Share I, credited as fully paid upon Completion. The Consideration Shares I, 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 I 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 Consideration Shares I represent: (i) approximately 29.91% of the issued share capital of the Company as at the date of this announcement; (ii) approximately 23.02% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares I; (iii) approximately 12.11% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares I and the issue of Shares upon exercise in full of the conversion rights attaching to the Convertible Bond I.

The Issue Price I represents (i) discount of approximately 13.04% to the closing price of HK\$0.345 per Share as quoted on the Stock Exchange on 16th November, 2007, being the date immediately prior to the date of the Share Acquisition Agreement I; (ii) discount of approximately 8.26% to the average of the closing prices of approximately HK\$0.327 per Share as quoted on the Stock Exchange for the last five trading days up to and including 16th November, 2007, being the date immediately prior to the date of the date of the Share Acquisition Agreement I; (iii) discount of approximately 7.98% to the average of the closing prices of HK\$0.326 per Share as quoted on the Stock Exchange for the last ten trading days up to and including 16th November, 2007, being the date immediately prior to the date of the Share Acquisition Agreement I.

## **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 I.

## **TERMS OF CONVERTIBLE BOND I**

The terms of the Convertible Bond I have been negotiated on an arm's length basis and the principal terms of which are summarised below:

### **Issuer**

The Company

### **Principal amount**

HK\$846,000,000

## **Interest**

The Convertible Bond I will carry interest at the rate of 1% per annum, payable semi-annually in arrears.

## **Maturity**

A fixed term of ten years from the date of issue of the Convertible Bond I. Unless previously redeemed, converted or cancelled in accordance with the respective Instruments, or as the case may be, the Instrument, the Company shall redeem the outstanding principal amount of the Convertible Bond I, on the maturity date.

## **Conversion**

### *Convertible Bond I*

The bondholder may at any time during the Conversion Period I convert the whole or part (in multiples of HK\$1,500,000) of the principal amount of the Convertible Bond I into new Shares at the Conversion Price I.

Subject to the conditions provided in the respective Instruments, the Company may at any time during the Conversion Period I by at least seven days' prior notice in writing request the bondholder to convert certain amount of the Convertible Bond I as specified therein and the bondholder shall convert such amount of the respective Convertible Bond I registered its names into Shares as so requested by the Company.

Under the respective terms of the Convertible Bond I, the bondholder cannot convert the Convertible Bond I or part thereof (and the Company shall not be obliged to allot and issue any Conversion Shares I) if upon the exercise of the conversion rights under the Convertible Bond I, the bondholder and parties acting in concert with it, shall be interested in 30% of the voting rights (or such amount as may from time to time be specified in the Hong Kong Code on Takeovers and Mergers as being the level for triggering a mandatory general offer) or more of the then enlarged issued share capital of the Company at the date of the relevant exercise.

## **Conversion Price I**

The Conversion Price I is HK\$0.30 per Conversion Share I, subject to adjustment. The adjustments are not subject to review by the Company's auditors.

The adjustments for Conversion Price I include the followings:

- (i) an alteration of the nominal amount of each Share by reason of any consolidation or subdivision;
- (ii) an issue (other than in lieu of a cash dividend) by the Company of Shares credited as fully paid by way of capitalization of profits or reserves (including any share premium account or capital redemption reserve fund);
- (iii) a capital distribution being made by the Company, whether on a reduction of capital or otherwise, to Shareholders (in their capacity as such) or a grant by the Company to Shareholders (in their capacity as such) of rights to acquire for cash assets of the Company or any of its subsidiaries;



- (iv) an offer of new Shares for subscription by way of rights, or a grant of options or warrants to subscribe new Shares being made by the Company to Shareholders (in their capacity as such);
- (v) an issue wholly for cash being made by the Company of securities convertible into or exchangeable for or carrying rights of subscription for new Shares and the total effective consideration per Share receivable for such securities is less than 80% of the market price on the date of announcement of the terms of the issue of such securities;
- (vi) an issue of Shares wholly for cash at a price per Share which is less than 80% of the market price on the date of announcement of the terms of such issue; and
- (vii) an issue of Shares for the acquisition of assets at a total effective consideration per Share which is less than 80% of the market price of the date of the announcement of the terms of such issue.

The Company will issue an announcement in respect of any adjustment made to the Conversion Price I.

The Conversion Price I represents (i) a discount of approximately 13.04% to the closing price of HK\$0.345 per Share as quoted on the Stock Exchange on 16th November, 2007, being the date immediately prior to the date of the Share Acquisition Agreement I; (ii) a discount of approximately 8.26% to the average of the closing prices of approximately HK\$0.327 per Share as quoted on the Stock Exchange for the last five trading days up to and including 16th November, 2007, being the date immediately prior to the date of the Share Acquisition Agreement I; (iii) a discount of approximately 7.98% to the average of the closing prices of HK\$0.326 per Share as quoted on the Stock Exchange for the last ten trading days up to and including 16th November, 2007, being the date immediately prior to the date of the Share Acquisition Agreement I; and (iv) a premium of approximately 42.86% over the net asset value per Share of HK\$0.21 based on the audited consolidated accounts of the Group as at 30th June, 2007.

### **Conversion Shares I**

Assuming there is an immediate exercise in full of the conversion rights attaching to the Convertible Bond I in the aggregate principal amount of HK\$846,000,000 at the Conversion Price I by the bondholder, the Company will allot and issue an aggregate of 2,820,000,000 new Shares, which is the maximum number of Shares to be issued, representing approximately (i) 117.15% of the existing issued share capital of the Company, (ii) 90.18% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares I.

The Conversion Shares I will be issued pursuant to the specific mandate to be sought at the EGM.

### **Redemption and Early redemption**

The Company may at any time before the maturity date, by serving at least seven (7) days' prior written notice on the bondholder with the total amount proposed to be redeemed from the bondholder specified therein, redeem the Convertible Bond I.

Any amount of the Convertible Bond which remains outstanding on the maturity date shall be redeemed at its then outstanding principal amount, inclusive of interests as accrued under the terms of the Instruments.

## **Ranking**

The Conversion Shares I when allotted and issued, will rank pari passu in all respects with all existing Shares in issue on the date of allotment and issue of such Conversion Shares I.

## **Status of the Convertible Bond I**

The Convertible Bond I constitutes direct, unconditional, unsubordinated and unsecured obligations of the Company and rank pari passu without any preference (with the exception as may be provided by applicable legislation) equally with all other present and/or future unsecured and unsubordinated obligations of the Company.

## **Transferability**

The bondholder may only assign or transfer the Escrowed Bond I to the transferee subject to the consent of the Company and when Ms. Lei makes payment in full of:

- (1) the Hao Cai Profit under the First Profit Guarantee I and, if there is any shortfall between the First Profit Guarantee I and the Hao Cai Profit actually received and/or receivable by Profit Forest during the First Relevant Period I, the said shortfall;
- (2) the Hao Cai Profit under the Second Profit Guarantee I and, if there is any shortfall between the Second Profit Guarantee I and the Hao Cai Profit actually received and/or receivable by Profit Forest during the Second Relevant Period I, the said shortfall;
- (3) the Hao Cai Profit under the Third Profit Guarantee I and, if there is any shortfall between the Third Profit Guarantee I and the Hao Cai Profit actually received and/or receivable by Profit Forest during the Third Relevant Period I, the said shortfall;
- (4) the Hao Cai Profit under the Fourth Profit Guarantee I and, if there is any shortfall between the Fourth Profit Guarantee I and the Hao Cai Profit actually received and/or receivable by Profit Forest during the Fourth Relevant Period I, the said shortfall;
- (5) the Hao Cai Profit under the Fifth Profit Guarantee I and, if there is any shortfall between the Fifth Profit Guarantee I and the Hao Cai Profit actually received and/or receivable by Profit Forest during the Fifth Relevant Period I, the said shortfall; and
- (6) the Hao Cai Profit under the Sixth Profit Guarantee I and, if there is any shortfall between the Sixth Profit Guarantee I and the Hao Cai Profit actually received and/or receivable by Profit Forest during the Sixth Relevant Period I, the said shortfall.

Notwithstanding that, the bondholder shall be permitted at any time to transfer the Convertible Bond I, to a transferee who is a wholly-owned subsidiary of the bondholder or a holding company of the bondholder who owns the entire issued share capital of the bondholder provided that the Convertible Bond I, will be re-transferred to the bondholder immediately upon the transferee ceasing to be a wholly-owned subsidiary of the bondholder or a holding company of the bondholder who owns the entire issued share capital of the bondholder.

The Company will notify the Stock Exchange if any of Convertible Bond I is transferred to a connected person of the Company.

## Voting rights

The Convertible Bond I does not confer any voting rights at any meetings of the Company.

## Cancellation of the Convertible Bond I or deduction from the outstanding sum

The Company has right to cancel the Convertible Bond I or deduct the shortfall from the outstanding sum under the Convertible Bond I in accordance with the terms of the Share Acquisition Agreement I.

If gaming promoter licence of Hao Cai is cancelled, revoked, terminated, not renewed or amended in a material and adverse manner to Hao Cai (as the case may be) by the relevant authorities in Macau at any time before the maturity date of the Convertible Bond I shall forthwith be cancelled and the Company's obligation to pay any outstanding sum under the Convertible Bond I shall be fully discharged.

## Application for listing

No application will be made by the Company for the listing of the Convertible Bond I. 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 Conversion Shares I.

## CHANGES IN SHAREHOLDING STRUCTURE

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

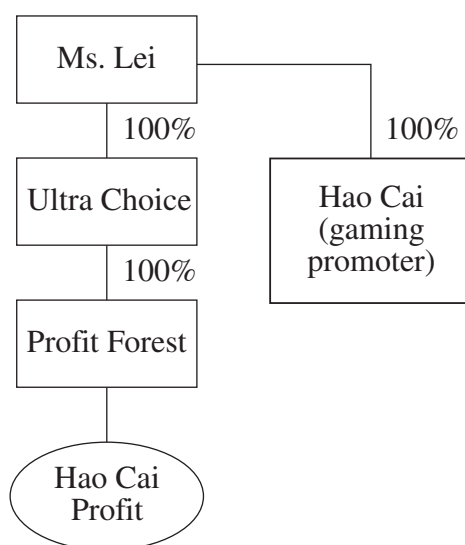
	As at the date of this announcement		Immediately after the allotment and issue of Consideration Shares I		Assuming full conversion of Convertible Bond I and after allotment and issue of the Consideration Shares I	
	No. of shares	%	No. of shares	%	No. of shares	%
Mr. Lin Cheuk Fung	375,000,000	15.58	375,000,000	11.99	375,000,000	6.30
Jumbo Boom Holdings Limited (Note 1)	310,817,678	12.91	310,817,678	9.94	310,817,678	5.23
Ultra Choice (Note 2)	–	–	720,000,000	23.02	1,783,578,625	29.99
Public Shareholders	1,721,426,822	71.51	1,721,426,822	55.05	3,477,848,197	58.48
Total:	<u>2,407,244,500</u>	<u>100.00</u>	<u>3,127,244,500</u>	<u>100.00</u>	<u>5,947,244,500</u>	<u>100.00</u>

Notes:

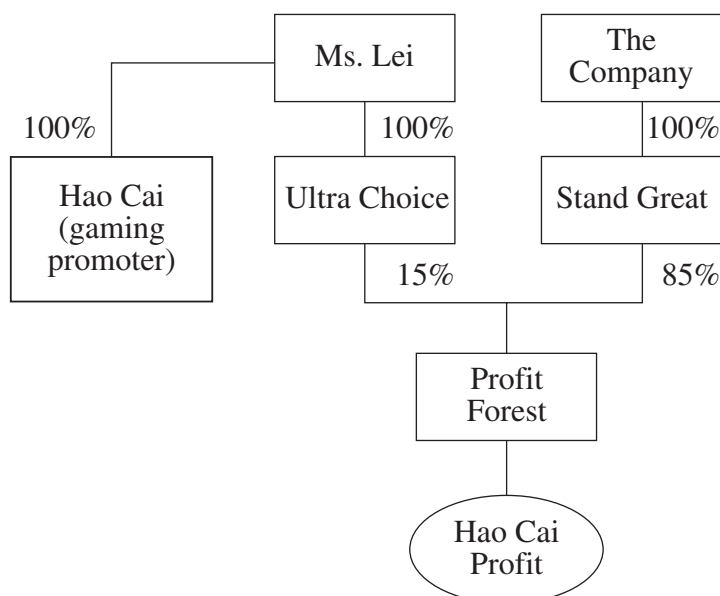
1. Jumbo Boom Holdings Limited is a company incorporated in the British Virgin Islands with limited liability and is wholly and beneficially owned by Mr. Cheung Chi Tai, an Independent Third Party. Mr. Cheung Chi Tai was an underwriter to an open offer conducted by the Company as announced on 7th February, 2007. The Vendors are not connected to Jumbo Boom Holdings Limited and its ultimate beneficial owner.
2. Ultra Choice is wholly and beneficially owned by Ms. Lei. Under the respective terms of Convertible Bond I, Ultra Choice cannot convert Convertible Bond I or part thereof if upon the exercise of the conversion rights under the Convertible Bond I, Ultra Choice and parties acting in concert with it, shall be interested in 30% of the voting rights (or such amount as may from time to time be specified in the Codes as being the level for triggering a mandatory general offer) or more of the then enlarged issued share capital of the Company at the date of the relevant exercise.

**CHANGE OF SHAREHOLDING STRUCTURE OF RELEVANT ENTITIES**

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



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



## **INFORMATION OF PROFIT FOREST**

### **Information of Profit Forest**

Profit Forest was incorporated on 6th July, 2007 and is an investment holding company.

According to the unaudited accounts of Profit Forest, since its incorporation up to 30th September, 2007, Profit Forest does not record any profit as it has not yet commenced any business and the total assets of Profit Forest as at 30th September, 2007 were HK\$780 and Profit Forest has no liability as at 30th September, 2007.

The main asset 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 the date of the announcement.

On 16th 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.

Under the Hao Cai Profit Agreement, Ms. Lei has undertaken to Profit Forest that she will not at any time:

- (1) carry on the business of directing gaming patrons to casinos in Macau without the prior written approval from all of the shareholders of Profit Forest;
- (2) either on her own account or in conjunction with or on behalf of any other person or body corporate or unincorporate in competition with Hao Cai directly or indirectly solicit or entice away from Hao Cai any person or body corporate or unincorporate who now is or at any time a customer of Hao Cai; and
- (3) either on her 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 Hao Cai or employ or otherwise engage any person who now is or at any time an employee of Hao Cai.

The Hao Cai Profit Agreement shall be completed on or before 30th April, 2008.

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

## **INFORMATION ON MS. LEI**

### **Information on Hao Cai and Ms. Lei**

Hao Cai is a company incorporated in Macau on 20th March, 2007 and is wholly-owned by Ms. Lei. Ms. Lei was introduced by Mr. Guo Nam, being the counterparty to the Initial Acquisition. Ms. Lei has no relationship with (i) Ms. Lao Sio Meng, the owner of Hoi Seng Sociedade Unipessoal Limitada, (ii) Hoi Seng Sociedade Unipessoal Limitada, (iii) Ms. Lei Choi In, the owner of Hou Wan Entertainment Unipessoal Limitada, or (iv) Hou Wan Entertainment Unipessoal Limitada. Ms. Lei is independent from Ms. Luu and the two are not related.

Hao Cai has been appointed by Venetian as a junket representative. The gaming promoter licence of Hao Cai was granted on 3rd August, 2007 and expires on 31st December, 2007.

Ms. Lei has experience and knowledge in Asian gaming, including as an oversea promoter of a Macau casino and a few VIP gaming rooms in Macau, an agent for certain Hong Kong based cruise gaming ships and participating in organization gaming tours for Taiwan and Japanese businessmen to various casinos in Las Vegas.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Hao Cai and its ultimate beneficial owner, Ms. Lei, are Independent Third Parties.

## **THE SHARE ACQUISITION AGREEMENT II**

Date: 16th November, 2007 (after trading hours)

Parties:

Purchaser: Hero Will, a wholly-owned subsidiary of the Company

Vendor: Faith Mount

Warrantors: Faith Mount and Ms. Luu

Faith Mount is an investment holding company wholly-owned by Ms. Luu. Faith Mount holds the entire issued share capital of Sky Advantage which receives Neptune Ouro Profit and it does not carry out any casino or gaming promotion activities in either Hong Kong or Macau. Therefore, the business activities of Faith Mount will not constitute unlawful activities under the laws of Hong Kong and Macau.

Faith Mount and its ultimate beneficial owner, Ms. Luu, are Independent Third Parties.

### **Assets to be acquired**

Pursuant to the Share Acquisition Agreement II, Hero Will has agreed to acquire and Faith Mount has agreed to sell and Ms. Luu has agreed to use her best endeavours to procure Faith Mount to sell, as a legal and beneficial owner, the Sale Shares II, being 85 shares of US\$1.00 each in the share capital of Sky Advantage, representing 85% of the total issued share capital of Sky Advantage, 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 II or subsequently becoming attached to them.

### **Consideration II**

The total consideration for the Sale Shares II is HK\$381,480,000 and shall be settled by Hero Will:

- (a) paying a refundable deposit to Faith Mount in a sum of HK\$10,000,000 upon the signing of Share Acquisition Agreement II and paying HK\$17,480,000 in cash upon Completion II;
- (b) procuring the Company to issue the Convertible Bond II in a principal amount of HK\$138,000,000 to Faith Mount; and
- (c) procuring the Company to allot and issue the Consideration Shares II at an issue price of HK\$0.30 per Consideration Shares II, credited as fully paid for the balance of the consideration in a sum of HK\$216,000,000 to Faith Mount.



If the conditions set out in the section headed “Conditions precedent” have not been satisfied on or before 30th April, 2008, or such later date as Faith Mount and Hero Will may agree (the “**Long Stop Date**”) or following the fulfillment of the conditions set out in the section headed “Conditions precedent”, Faith Mount or Hero Will shall fail to complete the sale and purchase of the Sale Shares II in accordance with the terms and conditions in the Share Acquisition Agreement II, Faith Mount shall return to Hero Will, without interest, all the moneys already paid as deposit to Faith Mount by Hero Will under the Share Acquisition Agreement II within seven days from the Long Stop Date or from the date when the Vendor or the Purchase fails to complete the sale and purchase of the Sale Shares II in accordance with the terms and conditions of the Share Acquisition Agreement II.

The consideration is determined after arm’s length negotiation between Hero Will and Faith Mount after considering the First Profit Guarantee II, the Second Profit Guarantee II, the Third Profit Guarantee II, the Fourth Profit Guarantee II, the Fifth Profit Guarantee II and the Sixth Profit Guarantee II and the corresponding price earning multiple based on the average guaranteed Neptune Ouro Profit for the First Relevant Period II, the Second Relevant Period II, the Third Relevant Period II, the Fourth Relevant Period II, the Fifth Relevant Period II and the Sixth Relevant Period II of approximately HK\$40,792,000 per half year, the price earning multiple of the acquisition of 85% equity interest in Sky Advantage and the Neptune Ouro Profit that Hero Will is entitled to share through its 85% equity interest in Sky Advantage, whose main asset is the Neptune Ouro Profit, the continuous economic boom in Macau, the attractiveness of the casino that Neptune Ouro is going to operate 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, 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 for the year of 2006 amounted to MOP 57.52 billion. 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 2006.

Pursuant to the Neptune Ouro Profit Agreement, Ms. Luu, who owns the entire issued share capital of Neptune Ouro, has irrevocably and unconditionally guaranteed to Sky Advantage that the Neptune Ouro Profit for the First Relevant Period II, the Second Relevant Period II, the Third Relevant Period II, the Fourth Relevant Period II, the Fifth Relevant Period II and the Sixth Relevant Period II shall not be less than HK\$33,750,000, HK\$35,500,000, HK\$39,000,000, HK\$42,750,000, HK\$45,000,000 and HK\$48.750,000 respectively. In the event the Profit Guarantees II are not achieved, Ms. Luu has undertaken to pay to Sky Advantage the difference between the actual Neptune Ouro Profit received and/or receivable by Sky Advantage for the First Relevant Period II, or as the case may be, the Second Relevant Period II and the guaranteed Neptune Ouro Profit for the same period within 60 days after the relevant periods or as the case may be, the Third Relevant Period II or as the case may be, the Fourth Relevant Period II or as the case may be, the Fifth Relevant Period II or as the case may be, the Sixth Relevant Period II and the guaranteed Neptune Ouro Profit for the same period within 60 days after the relevant periods. The Profit Guarantees II are still enforceable even if the Neptune Ouro Junket Representative Agreement cannot be renewed during the First Relevant Period II, the Second Relevant Period II, the Third Relevant Period II, the Fourth Relevant Period II, the Fifth Relevant Period II or the Sixth Relevant Period II. The Board is aware of the Monthly Rolling Turnover generated by Neptune Ouro and also the amount of capital deposit required to be made by Neptune Ouro in carrying on its junket/gaming promotion business. As such, the Board believes that as Ms. Luu owns the entire issued quota of Neptune Ouro, she should have sufficient credit worthiness for this guarantee. The Consideration II represents a premium of approximately 83.37% to the 85% of the aggregate amount of Profit Guarantee II. The Board considers this fair and reasonable as the acquisition of the profit stream from Neptune Ouro is for indefinite length of time.

The First Profit Guarantee II of not less than HK\$33,750,000 is determined with reference to the existing and expected business performance of Neptune Ouro and the 4 tables that Neptune Ouro operates at the Venetian.

The Second Profit Guarantee II, the Third Profit Guarantee II, the Fourth Profit Guarantee II, the Fifth Profit Guarantee or the Sixth Profit Guarantee II of not less than HK\$35,500,000, HK\$39,000,000, HK\$42,750,000, HK\$45,000,000 and HK\$48,750,000 respectively is determined with reference to the expected business growth and the potential of Neptune Ouro to be appointed as a junket representative in other VIP gaming rooms in Macau.

Hero Will can indirectly share 85% of the Neptune Ouro Profit from the date of Completion II. As Hero Will, which will own 85% equity interest in Sky Advantage after the Acquisition II, is entitled to share 85% of the Neptune Ouro Profit, the total consideration of HK\$381,480,000 represents approximately 5.5 times the 85% of the average guaranteed Neptune Ouro Profit for the First Relevant Period II, the Second Relevant Period II, the Third Relevant Period II, the Fourth Relevant Period, the Fifth Relevant Period and the Sixth Relevant Period, which is HK\$40,792,000 per half year. The Directors have made reference to the price earning multiple of approximately 5.5 times the 85% of the average guaranteed Neptune Ouro Profit for the First Relevant Period II, the Second Relevant Period II, the Third Relevant Period, the Fourth Relevant Period, the Fifth Relevant Period and the Sixth Relevant Period when arriving at the consideration for the Acquisition II. Given 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 (such as China Star Entertainment Limited and Dore Holdings Limited which were both on 5.5 times as disclosed in their respective announcements 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, Faith Mount has undertaken that:

- (1) Convertible Bond II in a principal sum of HK\$69,000,000 (“Escrowed Bond II”) will be held in escrow by the Company’s legal advisers (or such other escrow agent as may be agreed between the parties) until the Neptune Ouro Profit is fully paid by Ms. Luu to Sky Advantage.

To the extent that the Neptune Ouro Profit for the relevant period is not met/attained by Neptune Ouro, the relevant certificates to Convertible Bond II shall continue to be held in escrow until the end of the First Relevant Period II, the Second Relevant Period II, the Third Relevant Period II, the Fourth Relevant Period II, the Fifth Relevant Period II or the Sixth Relevant Period II (as the case may be) and until the First Profit Guarantee II, the Second Profit Guarantee II, the Third Profit Guarantee II, the Fourth Relevant Period, the Fifth Relevant Period or the Sixth Relevant Period is met/attained (as the case may be);

- (2) in the event that Ms. Luu fails to pay, in whole or in part, any shortfall between the Neptune Ouro Profit guaranteed and the Neptune Ouro Profit actually received and/or receivable by Sky Advantage during the First Relevant Period II, the Second Relevant Period II, the Third Relevant Period II, the Fourth Relevant Period II, the Fifth Relevant Period II or the Sixth Relevant Period II, Hero Will can at any time following the failure to pay by Ms. Luu instruct the escrow agent to deduct the shortfalls on a dollar for dollar basis from the escrowed certificates under the Convertible Bond II with any balance (if any) of the Convertible Bond II to be returned to Faith Mount; and

- (3) if the junket licence of Neptune Ouro is cancelled, revoked, terminated, or is not renewed, or amended in a material and adverse manner to Neptune Ouro (as the case may be) by the relevant authorities in Macau at any time before the maturity date of the Convertible Bond II, Faith Mount shall return the then outstanding Convertible Bond II to the Company and the Company shall not be obliged to pay any outstanding sum under the then outstanding Convertible Bond II.

Further announcement will be made by the Company if the Profit Guarantees II for any of the relevant periods is not met or if any of the situations in respect of the junket licence mentioned in paragraph (3) above happens. Any payments to be made by Ms. Luu in respect of any shortfalls shall be made 5 Business Days after the end of the relevant period. 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 Faith Mount. The Directors believe that this arrangement is fair given the security mechanism put in place and that this recourse is reasonable for any breach of contract. 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 Neptune Ouro Profit as compared to the risk of the unsecured exposure of the Profit Guarantees II. Ultimately it was a commercial decision to weigh the exposure/risk to the commercial benefit of the transaction.

### **Conditions precedent**

Completion is subject to the following conditions having been fulfilled:

- (a) Hero Will being in its reasonable discretion satisfied with the results of the due diligence investigation in respect of Sky Advantage including but not limited to the affairs, business, assets, results, legal and financing structure of Sky Advantage (in particular, the Neptune Ouro Profit Agreement);
- (b) Hero Will having received to its reasonable satisfaction a Macanese legal opinion on the legality and validity of the Neptune Ouro Profit Agreement, the gaming licence held by Neptune Ouro and the transactions contemplated thereunder;
- (c) no event having occurred since the date of the Share Acquisition Agreement II to Completion II, the consequence of which is to materially and adversely affect the financial position, business or property, results of operations or business prospects of Sky Advantage and such material adverse effect shall not have been caused;
- (d) the warranties given by Faith Mount and Ms. Luu remaining true and accurate and not misleading at Completion II as if repeated at Completion II and at all times between the date of the Share Acquisition Agreement II and Completion II;
- (e) the passing by the Shareholders at the EGM to be convened and held of an ordinary resolution to approve the Share Acquisition Agreement II, the Capital Increase and the transactions contemplated thereunder, including but not limited to the allotment and issue of the Consideration Shares II to Faith Mount credited as fully paid at the Issue Price II and the issue of the Convertible Bond II;
- (f) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Consideration Shares II;

- (g) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Conversion Shares II; and
- (h) the completion of the Neptune Ouro Profit Acquisition Agreement

### **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 II having been fulfilled or at such other time as may be agreed between Faith Mount and Hero Will.

The Company will allot and issue the Consideration Shares II and the Convertible Bond II to Faith Mount upon Completion II. Upon Completion II, Sky Advantage 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 85% of the total issued share capital of Sky Advantage upon Completion II, 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 Neptune Ouro's gaming promoter business through Sky Advantage; 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 Neptune Ouro from time to time to provide information concerning its operation of the gaming promoter business, including evidence concerning the actual Rolling Turnover generated by Neptune Ouro.

The Share Acquisition Agreement I and the Share Acquisition Agreement II are not interconditional.

### **Long-stop date**

The Share Acquisition Agreement II provides that should the satisfaction of all the above conditions not occur on or before 30th April, 2008 or such other date as the parties thereto may agree, the Share Acquisition Agreement II shall terminate.

### **TERMS OF CONSIDERATION SHARES II**

720,000,000 Consideration Shares II will be allotted and issued at an issue price of HK\$0.30 per Consideration Share II, credited as fully paid upon Completion. The Consideration Shares II, 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 II 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 Consideration Shares II represent: (i) approximately 29.91% of the issued share capital of the Company as at the date of this announcement; (ii) approximately 23.02% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares II; (iii) approximately 20.07% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares II and the issue of Shares upon exercise in full of the conversion rights attaching to the Convertible Bond II.

The Issue Price II represents (i) discount of approximately 13.04% to the closing price of HK\$0.345 per Share as quoted on the Stock Exchange on 16th November, 2007, being the date immediately prior to the date of the Share Acquisition Agreement II; (ii) discount of approximately 8.26% to the average of the closing prices of approximately HK\$0.327 per Share as quoted on the Stock Exchange for the last five trading days up to and including 16th November, 2007, being the date immediately

prior to the date of the date of the Share Acquisition Agreement II; (iii) discount of approximately 7.98% to the average of the closing prices of HK\$0.326 per Share as quoted on the Stock Exchange for the last ten trading days up to and including 16th November, 2007, being the date immediately prior to the date of the Share Acquisition Agreement II.

### **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 II.

### **TERMS OF CONVERTIBLE BOND II**

The terms of the Convertible Bond II have been negotiated on an arm's length basis and the principal terms of which are summarised below:

#### **Issuer**

The Company

#### **Principal amount**

HK\$138,000,000

#### **Interest**

The Convertible Bond II will carry interest at the rate of 1% per annum, payable semi-annually in arrears.

#### **Maturity**

A fixed term of ten years from the date of issue of the Convertible Bond II. Unless previously redeemed, converted or cancelled in accordance with the respective Instruments, or as the case may be, the Instrument, the Company shall redeem the outstanding principal amount of the Convertible Bond II, on the maturity date.

#### **Conversion**

##### *Convertible Bond II*

The bondholder may at any time during the Conversion Period II convert the whole or part (in multiples of HK\$1,500,000) of the principal amount of the Convertible Bond II into new Shares at the Conversion Price II.

Subject to the conditions provided in the respective Instruments, the Company may at any time during the Conversion Period II by at least seven days' prior notice in writing request the bondholder to convert certain amount of the Convertible Bond II as specified therein and the bondholder shall convert such amount of the respective Convertible Bond II registered its names into Shares as so requested by the Company.



Under the respective terms of the Convertible Bond II, the bondholder cannot convert the Convertible Bond II or part thereof (and the Company shall not be obliged to allot and issue any Conversion Shares II) if upon the exercise of the conversion rights under the Convertible Bond II, the bondholder and parties acting in concert with it, shall be interested in 20% of the voting rights (or such amount as may from time to time be specified in the Hong Kong Code on Takeovers and Mergers as being the level for triggering a mandatory general offer) or more of the then enlarged issued share capital of the Company at the date of the relevant exercise.

## **Conversion Price II**

The Conversion Price II is HK\$0.30 per Conversion Share II, subject to adjustment. The adjustments are not subject to review by the Company's auditors.

The adjustments for Conversion Price II include the followings:

- (i) an alteration of the nominal amount of each Share by reason of any consolidation or subdivision;
- (ii) an issue (other than in lieu of a cash dividend) by the Company of Shares credited as fully paid by way of capitalization of profits or reserves (including any share premium account or capital redemption reserve fund);
- (iii) a capital distribution being made by the Company, whether on a reduction of capital or otherwise, to Shareholders (in their capacity as such) or a grant by the Company to Shareholders (in their capacity as such) of rights to acquire for cash assets of the Company or any of its subsidiaries;
- (iv) an offer of new Shares for subscription by way of rights, or a grant of options or warrants to subscribe new Shares being made by the Company to Shareholders (in their capacity as such);
- (v) an issue wholly for cash being made by the Company of securities convertible into or exchangeable for or carrying rights of subscription for new Shares and the total effective consideration per Share receivable for such securities is less than 80% of the market price on the date of announcement of the terms of the issue of such securities;
- (vi) an issue of Shares wholly for cash at a price per Share which is less than 80% of the market price on the date of announcement of the terms of such issue; and
- (vii) an issue of Shares for the acquisition of assets at a total effective consideration per Share which is less than 80% of the market price of the date of the announcement of the terms of such issue.

The Company will issue an announcement in respect of any adjustment made to the Conversion Price II.

The Conversion Price II represents (i) a discount of approximately 13.04% to the closing price of HK\$0.345 per Share as quoted on the Stock Exchange on 16th November, 2007, being the date immediately prior to the date of the Share Acquisition Agreement II; (ii) a discount of approximately 8.26% to the average of the closing prices of approximately HK\$0.327 per Share as quoted on the Stock Exchange for the last five trading days up to and including 16th November, 2007, being the date immediately prior to the date of the Share Acquisition Agreement II; (iii) a discount of approximately 7.98% to the average of the closing prices of HK\$0.326 per Share as quoted on the Stock Exchange for the last ten trading days up to and including 16th November,



2007, being the date immediately prior to the date of the Share Acquisition Agreement II; and (iv) a premium of approximately 42.86% over the net asset value per Share of HK\$0.21 based on the audited consolidated accounts of the Group as at 30th June, 2007.

## **Conversion Shares II**

Assuming there is an immediate exercise in full of the conversion rights attaching to the Convertible Bond II in the aggregate principal amount of HK\$138 million at the Conversion Price II by the bondholder, the Company will allot and issue an aggregate of 460,000,000 new Shares, which is the maximum number of Shares to be issued, representing approximately (i) 19.11% of the existing issued share capital of the Company, (ii) 14.71% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares II.

The Conversion Shares II will be issued pursuant to the specific mandate to be sought at the EGM.

## **Redemption and Early redemption**

The Company may at any time before the maturity date, by serving at least seven (7) days' prior written notice on the bondholder with the total amount proposed to be redeemed from the bondholder specified therein, redeem the Convertible Bond II.

Any amount of the Convertible Bond which remains outstanding on the maturity date shall be redeemed at its then outstanding principal amount, inclusive of interests as accrued under the terms of the Instruments.

## **Ranking**

The Conversion Shares II when allotted and issued, will rank pari passu in all respects with all existing Shares in issue on the date of allotment and issue of such Conversion Shares II.

## **Status of the Convertible Bond II**

The Convertible Bond II constitutes direct, unconditional, unsubordinated and unsecured obligations of the Company and rank pari passu without any preference (with the exception as may be provided by applicable legislation) equally with all other present and/or future unsecured and unsubordinated obligations of the Company.

## **Transferability**

The bondholder may only assign or transfer the Escrowed Bond II to the transferee subject to the consent of the Company and when Ms. Luu makes payment in full of:

- (1) the Neptune Ouro Profit under the First Profit Guarantee II and, if there is any shortfall between the First Profit Guarantee II and the Neptune Ouro Profit actually received and/or receivable by Sky Advantage during the First Relevant Period II, the said shortfall;
- (2) the Neptune Ouro Profit under the Second Profit Guarantee II and, if there is any shortfall between the Second Profit Guarantee II and the Neptune Ouro Profit actually received and/or receivable by Sky Advantage during the Second Relevant Period II, the said shortfall;

- (3) the Neptune Ouro Profit under the Third Profit Guarantee II and, if there is any shortfall between the Third Profit Guarantee II and the Neptune Ouro Profit actually received and/or receivable by Sky Advantage during the Third Relevant Period II, the said shortfall;
- (4) the Neptune Ouro Profit under the Fourth Profit Guarantee II and, if there is any shortfall between the Fourth Profit Guarantee II and the Neptune Ouro Profit actually received and/or receivable by Sky Advantage during the Fourth Relevant Period II, the said shortfall;
- (5) the Neptune Ouro Profit under the Fifth Profit Guarantee II and, if there is any shortfall between the Fifth Profit Guarantee II and the Neptune Ouro Profit actually received and/or receivable by Sky Advantage during the Fifth Relevant Period II, the said shortfall; and
- (6) the Neptune Ouro Profit under the Sixth Profit Guarantee II and, if there is any shortfall between the Sixth Profit Guarantee II and the Neptune Ouro Profit actually received and/or receivable by Sky Advantage during the Sixth Relevant Period II, the said shortfall.

Notwithstanding that, the bondholder shall be permitted at any time to transfer the Convertible Bond II, to a transferee who is a wholly-owned subsidiary of the bondholder or a holding company of the bondholder who owns the entire issued share capital of the bondholder provided that the Convertible Bond II, will be re-transferred to the bondholder immediately upon the transferee ceasing to be a wholly-owned subsidiary of the bondholder or a holding company of the bondholder who owns the entire issued share capital of the bondholder.

The Company will notify the Stock Exchange if any of Convertible II is transferred to a connected person of the Company.

### **Voting rights**

The Convertible Bond II does not confer any voting rights at any meetings of the Company.

### **Cancellation of the Convertible Bond II or deduction from the outstanding sum**

The Company has right to cancel the Convertible Bond II or deduct the shortfall from the outstanding sum under the Convertible Bond II in accordance with the terms of the Share Acquisition Agreement II.

If gaming promoter licence of Neptune Ouro is cancelled, revoked, terminated, not renewed or amended in a material and adverse manner to Neptune Ouro (as the case may be) by the relevant authorities in Macau at any time before the maturity date of the Convertible Bond II shall forthwith be cancelled and the Company's obligation to pay any outstanding sum under the Convertible Bond II shall be fully discharged.

### **Application for listing**

No application will be made by the Company for the listing of the Convertible Bond II. 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 Conversion Shares II.

## CHANGES IN SHAREHOLDING STRUCTURES

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

	As at the date of this announcement		Immediately after the allotment and issue of Consideration Shares II		Assuming full conversion of Convertible Bond II and after allotment and issue of the Consideration Shares II	
	No. of shares	%	No. of shares	%	No. of shares	%
Mr. Lin Cheuk Fung	375,000,000	15.58	375,000,000	11.99	375,000,000	10.45
Jumbo Boom Holdings Limited	310,817,678	12.91	310,817,678	9.94	310,817,678	8.67
Faith Mount ( <i>Note 1</i> )	–	–	720,000,000	23.02	717,090,175	19.99
Public Shareholders	1,721,426,822	71.51	1,721,426,822	55.05	2,184,336,647	60.89
Total:	<u>2,407,244,500</u>	<u>100.00</u>	<u>3,127,244,500</u>	<u>100.00</u>	<u>3,587,244,500</u>	<u>100.00</u>

*Note:*

1. Faith Mount is wholly and beneficially owned by Ms. Luu. Under the respective terms of Convertible Bond II, Faith Mount cannot convert Convertible Bond II or part thereof if upon the exercise of the conversion rights under the Convertible Bond II, Faith Mount and parties acting in concert with it, shall be interested in 20% of the voting rights (or such amount as may from time to time be specified in the Codes as being the level for triggering a mandatory general offer) or more of the then enlarged issued share capital of the Company at the date of the relevant exercise.

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

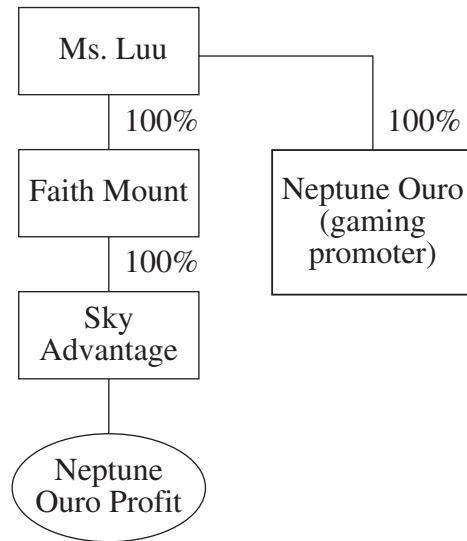
	As at the date of this announcement		Immediately after the allotment and issue of Consideration Shares I and Consideration Shares II		Assuming full conversion of Convertible Bond I and Convertible Bond II and after allotment and issue of the Consideration Shares I and Consideration Shares II	
	<i>No. of shares</i>	<i>%</i>	<i>No. of shares</i>	<i>%</i>	<i>No. of shares</i>	<i>%</i>
Mr. Lin Cheuk Fung	375,000,000	15.58	375,000,000	9.75	375,000,000	5.26
Jumbo Boom Holdings Limited	310,817,678	12.91	310,817,678	8.08	310,817,678	4.36
Ultra Choice*	–	–	720,000,000	18.71	2,137,460,625**	29.99
Faith Mount*	–	–	720,000,000	18.71	1,180,000,000	16.56
Public Shareholders	<u>1,721,426,822</u>	<u>71.51</u>	<u>1,721,426,822</u>	<u>44.75</u>	<u>3,123,966,197</u>	<u>43.83</u>
Total:	<u>2,407,244,500</u>	<u>100.00</u>	<u>3,847,244,500</u>	<u>100.00</u>	<u>7,127,244,500</u>	<u>100.00</u>

\* Ultra Choice and Faith Mount are Independent Third Parties and are not parties acting in concert.

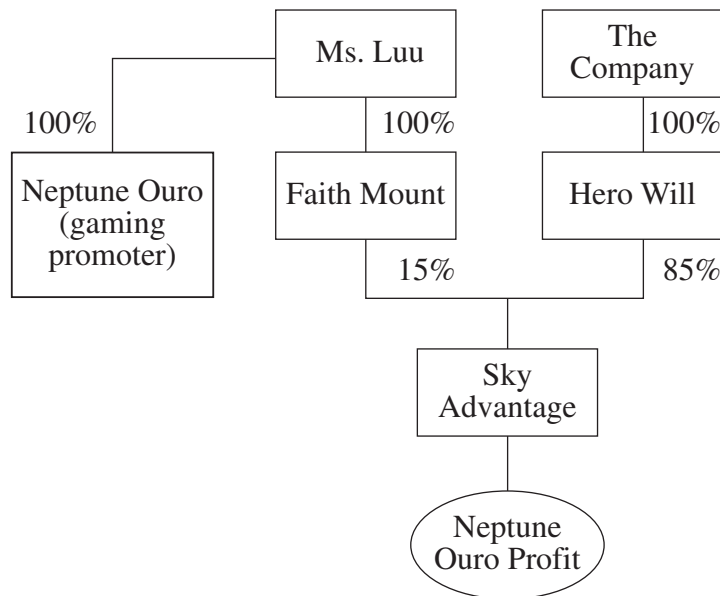
\*\* This assumes the share capital has been enlarged by the allotment and issue of all Conversion Shares I and Conversion Shares II and as such the share capital base would be larger therefore the number of Shares held by Ultra Choice capped at 29.99% is higher than the chart on page 11 herein.

**CHANGE OF SHAREHOLDING STRUCTURE OF RELEVANT ENTITIES**

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



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



**INFORMATION OF SKY ADVANTAGE**

**Information of the Sky Advantage**

Sky Advantage was incorporated on 18th September, 2007 and is an investment holding company.

According to the unaudited accounts of Sky Advantage, since its incorporation up to 30th September 2007, Sky Advantage does not record any profit as it has not yet commenced any business and the total assets of Sky Advantage as at 30th September, 2007 were HK\$780, and Sky Advantage has no liability as at 30th September, 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 date of the announcement.

On 16th 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.

Under the Neptune Ouro Profit Agreement, Ms. Luu has undertaken to Sky Advantage that she will not at any time:

- (1) carry on the business of directing gaming patrons to casinos in Macau without the prior written approval from all of the shareholders of Sky Advantage;
- (2) either on her own account or in conjunction with or on behalf of any other person or body corporate or unincorporate in competition with Neptune Ouro directly or indirectly solicit or entice away from Neptune Ouro any person or body corporate or unincorporate who now is or at any time a customer of Neptune Ouro; and
- (3) either on her 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 Neptune Ouro or employ or otherwise engage any person who now is or at any time an employee of Neptune Ouro.

The Neptune Ouro Profit Agreement should be completed on or before 30th April, 2008.

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

## **INFORMATION ON MS. LUU**

### **Information on Neptune Ouro and Ms. Luu**

Neptune Ouro is a company incorporated in Macau on 20th November, 2006 and is wholly-owned by Ms. Luu. Ms. Luu was introduced to the Company by Mr. Guo Nam, being the counterparty in the Initial Acquisition. Ms. Luu has no relationship with (i) Ms. Lao Sio Meng, the owner of Hoi Seng Sociedade Unipessoal Limitada, (ii) Hoi Seng Sociedade Unipessoal Limitada, (iii) Ms. Lei Choi In, the owner of Hou Wan Entertainment Unipessoal Limitada, or (iv) Hou Wan Entertainment Unipessoal Limitada. Ms. Luu is independent to Ms. Lei and the two are not related.

Neptune Ouro has been appointed by Venetian as a junket representative. The gaming promoter licence of Neptune Ouro was granted on 8 January, 2007 and expires on 31 December, 2007.

Ms. Luu has experience and knowledge in Asian gaming, including as an oversea promoter of a Macau casino and a few VIP gaming rooms in Macau, an agent for certain Hong Kong based cruise gaming ships and participating in organization gaming tours for to various casinos in Las Vegas.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Neptune Ouro and its ultimate beneficial owner, Ms. Luu, are Independent Third Parties.



## **HAO CAI PROFIT AGREEMENT**

On 16th November, 2007, Profit Forest as purchaser entered into the Hao Cai Profit Agreement with Hao Cai and Ms. Lei. Hao Cai is a licensed gaming promoter whose business is the promotion of gaming to players to VIP lounges at the Paiza Club in the Venetian in Macau. Its licence granted by the Gaming Inspection and Coordination Bureau of the Macau Government and its junket representative agreement both expire on 31 December 2007 and are renewable yearly. The junket representative agreement with the Venetian is conditional upon Hao Cai holding a valid gaming licence. The major terms of the Hao Cai Profit Agreement are set out as follows:

### **Asset to be acquired**

Hao Cai has on 31st August, 2007 entered into the Hao Cai Junket Representative Agreement as a gaming promoter for the Venetian, Macau. Ms. Lei has conditionally 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, being 0.4% of the Rolling Turnover generated by Hao Cai and/or its customers at the Venetian gaming rooms and Profit Forest shall purchase/accept the assignment of the Hao Cai 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 Hao Cai Profit Agreement.

### **Consideration**

The consideration payable by Profit Forest to Ms. Lei for the Hao Cai Profit sold and/or assigned is HK\$1.00.

### **Conditions**

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

- (a) Profit Forest 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 Hao Cai at the Venetian and the legality of the transactions contemplated thereunder;
- (b) the warranties given by Hao Cai in the Hao Cai Profit Agreement remaining true and accurate in all material respects;
- (c) Profit Forest being satisfied in its absolute discretion with the results of the due diligence investigation in respect of Hao Cai, including but not limited to the affairs, business, assets, legality of all business and commercial activities conducted at the Venetian, 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 Hao Cai; and
- (d) Hao Cai being licensed by the Macau Government to act as a gaming promoter pursuant to Administrative Regulation 6/2002 of Gaming Intermediaries Regulation.

### **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 Hao Cai Profit Agreement having been fulfilled or waived.

## **NEPTUNE OURO PROFIT AGREEMENT**

On 16th November, 2007, Sky Advantage as purchase entered into the Neptune Ouro Profit Agreement with Neptune Ouro and Ms. Luu. Neptune Ouro is a licensed gaming promoter whose business is the promotion of gaming to players to VIP lounges at the Paiza Club in the Venetian in Macau. Its licence granted by the Gaming Inspection and Coordination Bureau of the Macau Government and its junket representative agreement both expire on 31 December 2007 and are renewable yearly. The junket representative agreement with the Venetian is conditional upon Neptune Ouro holding a valid gaming licence. The major terms of the Neptune Ouro Profit Agreement are set out as follows:

### **Asset to be acquired**

Neptune Ouro has on 15th December, 2006 entered into the Neptune Ouro Junket Representative Agreement as a gaming promoter for the Venetian, Macau. Ms. Luu has conditionally 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, being 0.4% of the Rolling Turnover generated by Neptune Ouro and/or its customers at the Venetian gaming rooms and Sky Advantage shall purchase/accept the assignment of the Neptune Ouro 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 Neptune Ouro Profit Agreement.

### **Consideration**

The consideration payable by Sky Advantage to Ms. Luu for the Neptune Ouro Profit sold and/or assigned is HK\$1.00.

### **Conditions**

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

- (a) Sky Advantage 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 Neptune Ouro at the Venetian and the legality of the transactions contemplated thereunder;
- (b) the warranties given by Neptune Ouro in the Neptune Ouro Profit Agreement remaining true and accurate in all material respects;
- (c) Sky Advantage being satisfied in its absolute discretion with the results of the due diligence investigation in respect of Neptune Ouro, including but not limited to the affairs, business, assets, legality of all business and commercial activities conducted at the Venetian, 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 Neptune Ouro; and
- (d) Neptune Ouro being licensed by the Macau Government to act as a gaming promoter pursuant to Administrative Regulation 6/2002 of Gaming Intermediaries Regulation.

## **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 Neptune Ouro Profit Agreement having been fulfilled or waived.

## **SERVICE CONTRACTS**

Upon Completion, Ms. Lei and Ms. Luu will respectively enter into service contracts with the Company to act as general managers of the Company for managing the Group's investments in Profit Forest and Sky Advantage. The scope of their work includes overseeing the business volume and progress of Profit Forest and Sky Advantage and monitoring the development of Macau gaming industry which are relevant to the business of Profit Forest and Sky Advantage. The Directors consider employing them as general managers is beneficial to the Group based on, inter alia, the following factors:

- (a) Ms. Lei and Ms. Luu are 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. This will be beneficial to the Company if the Company decides to make further investments in Macau gaming business;
- (b) Ms. Lei and Ms. Luu are experienced in the market and can assist the Company in investor relations as the Company has not engaged any staff of such expertise and experience; and
- (c) By "recruiting" Ms. Lei and Ms. Luu as employees, the Company has the legal right in having Ms. Lei and Ms. Luu worked on an active basis via asking them the relative performance of Hao Cai and Neptune Ouro when deem appropriate (rather than passively waiting till month end for the figures). Correspondingly, the Company can monitor the development of Profit Forest and Sky Advantage in a more timely manner.

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

- (1) The appointments shall be for an initial term of ten years 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 respective appointments, unless terminated pursuant to the terms of the respective service agreements 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 Ms. Lei and Ms. Luu salary at the rate of HK\$1,200,000 and HK\$1,200,000 per annum respectively.
- (3) During the term of their appoints and for a period of ten years thereafter and save as otherwise provided in the Share Acquisition Agreement I and the Share Acquisition Agreement II, Ms. Lei and Ms. Luu shall not at any time carry on the business of directing gaming patrons to casinos in Macau.

Ms. Lei and Ms. Luu will not be appointed as directors of the Company or its subsidiaries nor have any management role on the Board.

The terms of the service agreements between Ms. Lei and Ms. Luu and the Company were negotiated on an arm's length commercial basis and the Company believes it is beneficial to the Company to have Ms. Lei and Ms. Luu's services for such length of time. Bonuses payable to them under the service contracts are discretionary but is expected to be based on their performance and also that of Hao Cai and Neptune Ouro.

## **REASONS FOR THE ACQUISITION**

The principal activities of the Group are manufacturing and trading of electrical equipment, provision of electrical engineering and contracting services, securities trading, and leasing and management of cruise. The Group will continue with its existing business following the Acquisition.

The Group has been looking for further investment opportunities in order to maximise the return to the Shareholders. The gaming activities in Macau are prosperous. The Company had already announced on 9th February, 2007 and 10th May, 2007, the acquisition of an indirect interest in the rolling turnover of Hou Wan Entertainment Unipessoal Limitada at the Sands Macao and Hoi Seng Sociedade Unipessoal Limitada at Galaxy Casino of the Star World Hotel. 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 Acquisitions will be a good opportunity for the Group to generate further income in the future.

To ensure the Acquisitions are 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 Hao Cai and Neptune Ouro are lawful; and (2) the Directors have also made reference to the price earning multiple of approximately 5.5 times the 85% of the average guaranteed Hao Cai Profit and Neptune Ouro Profit for the First Relevant Period I and II, the Second Relevant Period I and II, the Third Relevant Period I and II, the Fourth Relevant Period I and II, the Fifth Relevant Period I and II or the Sixth Relevant Period I or II 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 Neptune Ouro and Hao Cai gaming promoter licences are renewed and their relevant junket representative agreements renewed, the income stream from the Acquisitions are for an indefinite period.

Both Neptune Ouro and Hao Cai have already made an application for a renewal of their gaming licences for 2008 prior to 30 September, 2007.

Taking into account the benefits of the Acquisitions as described above, the Directors (including the independent non-executive Directors) are of the view that the Share Acquisition Agreement I and II is entered into upon normal commercial terms following arm's length negotiations between the parties to the Share Acquisition Agreement I and II, the terms of the Share Acquisition Agreement I and II are fair and reasonable and the Acquisition I and II are in the interests of the Company and the Shareholders as a whole. Furthermore, the Directors believe that the Conversion Price I, Conversion Price II, issue price of Consideration Shares I and Consideration Shares II and their discount to the closing price of Shares as at 16th November, 2007 are fair and reasonable in light of the benefits of the Acquisitions.

## **LISTING RULES IMPLICATIONS**

As the relevant percentage ratios as referred to in Chapter 14 of the Listing Rules for the Acquisition I and the Acquisition II are more than 100%, the Acquisition I and the Acquisition II constitute very substantial acquisitions on the part of the Company under Chapter 14 of the Listing Rules.

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

A circular containing, among other things, further information in respect of the Acquisitions together with the notice of the EGM will be despatched to the Shareholders in accordance with the Listing Rules.

## **IMPLICATIONS UNDER THE LAWS OF HONG KONG AND THE LISTING RULES**

After Completion I and II, the Group, including Profit Forest and Sky Advantage, 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 are of the view that:

- (1) the Completion I and II will not result in the Group directly or indirectly engaging in gambling activities and operation of such gambling activities;
- (2) the Company is not in breach of any applicable laws of Hong Kong as a result of the Acquisitions; and
- (3) the gaming promoter business carried out by Hao Cai and Neptune Ouro does not contravene any applicable laws of Hong Kong.

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 11 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 Profit Forest and Sky Advantage 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 Hao Cai Profit and Neptune Ouro Profit received or receivable with the original monthly junket representative settlement forms issued by Venetian recording the Rolling Turnover generated by Hao Cai and Neptune Ouro. Further, the Company will from time to time obtain direct confirmations in respect of the Rolling Turnover generated by Hao Cai and Neptune Ouro from Venetian.

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 as to Hong Kong law are of the view 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 Neptune Ouro and Hao Cai does not contravene any applicable laws of Hong Kong.

A summary of the Macau legal adviser's opinion will be set out in the circular to Shareholders in connection with the Acquisitions.



## DILUTION EFFECT ON SHAREHOLDING

In view of the future dilution to existing Shareholders on the exercise of the conversion rights attached to the Convertible Bonds I and II, the Company will keep Shareholders informed of the level of dilution and details of conversion as follows:

- (a) the Company will make a monthly announcement (the “Monthly Announcement”) on the website of the Stock Exchange after completion of the Convertible Bonds I and/or II. Such announcement will be made on or before the fifth business day following the end of each calendar month and will include the following details in a table form:
  - (i) whether there is any conversion of the Convertible Bonds I and/or II during the relevant month. If there is a conversion, details thereof including the conversion date, number of new Shares issued, conversion price for each conversion. If there is no conversion during the relevant month, a negative statement to that effect;
  - (ii) the number of outstanding Convertible Bonds I and/or II after conversion, if any;
  - (iii) the total number of new Shares issued pursuant to other transactions during the relevant month, including new Shares issued pursuant to exercise of options under any share option scheme(s) of the Company; and
  - (iv) the total issued share capital of the Company as at the commencement and the last day of the relevant month; and
- (b) in addition to the Monthly Announcement, if the cumulative amount of new Shares issued pursuant to the conversion of the Convertible Bonds I and/or II reaches 5% of the issued share capital of the Company as disclosed in the last Monthly Announcement or any subsequent announcement made by the Company in respect of the Convertible Bonds I and/or II (as the case may be) (and thereafter in a multiple of such 5% threshold), the Company will make an announcement on the website of the Stock Exchange including details as stated in (a) above for the period commencing from the date of the last Monthly Announcement or any subsequent announcement in respect of the Convertible Bonds I and/or II (as the case may be) up to the date on which the total amount of Shares issued pursuant to the conversion amounted to 5% of the issued share capital of the Company as disclosed in the last Monthly Announcement or any subsequent announcement made by the Company in respect of the Convertible Bonds I and/or II (as the case may be).

Despite the massive dilution of Shareholders upon conversion of Convertible Bond I and Convertible Bond II, the Directors believe that the issue of Convertible Bond I and Convertible Bond II is the best method of part financing the Acquisitions as the relevant certificates can be escrowed as security. The Company had considered other means of financing the Acquisitions but considering the structure of similar transactions and the recent open offer conducted by the Company, the issue of the Convertible Bonds I and II to part finance the Acquisitions is the best means as determined by the Company.



## **DIRECTORS' VIEW ON THE JUNKET REPRESENTATIVE AGREEMENTS AND THE DUE DILIGENCE WORK DONE BY THE DIRECTORS**

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

- (1) In respect of Junket Representative Agreements,
  - (a) the Directors including the independent non-executive Directors had visited the Venetian on several occasions to observe the business operations of Neptune Ouro and Hao Cai, i.e. business level in terms of customers head count and operation flows and procedures, and confirmed that the employees of Neptune Ouro and Hao Cai are working in the relevant gaming room in the Venetian;
  - (b) the Directors have reviewed the original Junket Representative Settlement Forms issued by Venetian to Neptune Ouro and Hao Cai;
  - (c) the Directors (including the independent non-executive Directors) had reviewed the Licença 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 Neptune Ouro and Hao Cai to act as gaming promoters. It shows that the company for which Neptune Ouro and Hao Cai can work as gaming promoter is Venetian Macau Limited; and
  - (d) the Directors (including the independent non-executive Directors) had also reviewed the legal opinion of Macau lawyers instructed by the solicitors acting for Neptune Ouro and Hao Cai for the transaction, concerning the legality and validity of the Junket Representative Agreements 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 Junket Representative Agreements does, in fact, exist. A summary of their opinion will be included in the circular to Shareholders.

## **RISK FACTORS OF JUNKET BUSINESS AND LICENSING SYSTEM**

**The followings are the risk factors in relation to the junket business operated by Hao Cai and Neptune Ouro:**

- (1) **The provision of junket business is competitive in general. There is no guarantee that the targeted customers of Hao Cai and Neptune Ouro will not be lured away by other junket operators.**
- (2) **The Rolling Turnover generated by Hao Cai and Neptune Ouro operating as a junket representative in Venetian relies on, among other factors, the attractiveness of Venetian to the prospective customers, Hao Cai's and Neptune Ouro's ability to procure customers to Venetian, annual renewal of the gaming licence of Hao Cai and Neptune Ouro by the Macau Government, tenure of Hao Cai acting as junket representative for Venetian under the Hao Cai Junket Representative Agreement and the Neptune Ouro Junket Representative Agreement. There is no assurance that Venetian is always attractive. In the event that Hao Cai and Neptune Ouro ceases to be committed to the junket business or cease to be appointed as junket representative by Venetian, the junket business, and thereby the Hao Cai Profit and the Neptune Ouro Profit to be paid to Profit Forest and**

Sky Advantage, may be adversely affected. Moreover, if Hao Cai and Neptune Ouro fails to obtain the renewal of its gaming licence from the Macau Government, it can no longer operate its junket business and no Hao Cai Profit and Neptune Ouro Profit can be paid to Profit Forest and Sky Advantage as a result.

- (3) In the event that Venetian becomes the target for carrying out money laundering, the Rolling Turnover generated by Hao Cai and Neptune Ouro may be affected and/or interrupted.
- (4) The operation of the junket business by Hao Cai and Neptune Ouro is subject to the ability of Hao Cai and Neptune Ouro in obtaining their respective renewed licence from the Macau Government each year.
- (5) The availability of the Hao Cai Profit and Neptune Ouro Profit relating to the Rolling Turnover generated by Hao Cai and Neptune Ouro at Venetian gaming rooms pursuant to the Hao Cai Junket Representative Agreement and Neptune Ouro Junket Representative Agreement heavily depends on the subsistence of the Hao Cai Junket Representative Agreement and Neptune Ouro Junket Representative Agreement and on whether the Hao Cai Junket Representative Agreement and Neptune Ouro Junket Representative Agreement can be successfully renewed. The Hao Cai Junket Representative Agreement and Neptune Ouro Junket Representative Agreement may or may not be renewed by Venetian at the expiry of the term of the Hao Cai Junket Representative Agreement and Neptune Ouro Junket Representative Agreement. In general, the term of agreement between the junket operator and the casino operator is tied with the terms of the junket licence. Therefore, the term of the Hao Cai Junket Representative Agreement and Neptune Ouro Junket Representative Agreement can also be tied with the terms of respective junket licence of Hao Cai and Neptune Ouro, which is valid for one year.
- (6) As parts of the Hao Cai Profit and Neptune Ouro Profit is sourced from Rolling Turnover generated by Hao Cai and Neptune Ouro pursuant to the Hao Cai Junket Representative Agreement and Neptune Ouro Junket Representative Agreement, there is a risk that those part of the Hao Cai Profit will cease to be source of the Hao Cai Profit and Neptune Ouro Profit if the Hao Cai Junket Representative Agreement and the Neptune Ouro Junket Representative Agreement expires or the junket licence of Hao Cai and Neptune Ouro cannot be renewed.

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.**

## **SUSPENSION AND RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares was suspended with effect from 9:30 a.m. on 19th November, 2007 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for resumption of trading in the Shares with effect from 9:30 a.m. on 30th November, 2007.

## **DEFINITIONS**

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Acquisitions”	collectively Acquisition I and Acquisition II
“Acquisition Agreements”	the Share Acquisition Agreement I and Share Acquisition Agreement II
“Acquisition I”	the proposed acquisition of the Sale Shares I on the terms and conditions in the Share Acquisition Agreement I
“Acquisition II”	the proposed acquisition of the Sale Shares II on the terms and conditions in the Share Acquisition Agreement II
“associates”	has the same meaning ascribed to it under the Listing Rules
“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
“Capital Increase”	the increase in the authorised share capital of the Company from HK\$1,000,000,000 comprising 5,000,000,000 Shares to HK\$10,000,000,000 comprising 50,000,000,000 Shares
“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 I”	completion of the sale and purchase of the Sale Shares I in accordance with the terms and conditions of the Share Acquisition Agreement I
“Completion II”	completion of the sale and purchase of the Sale Shares II in accordance with the terms and conditions of the Share Acquisition Agreement II
“Connected Person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration Shares I”	720,000,000 Shares to be allotted and issued to Ultra Choice at the Issue Price I and credited as fully paid subject to and in accordance with the terms and conditions of the Share Acquisition Agreement I
“Consideration Shares II”	720,000,000 Shares to be allotted and issued to Faith Mount at the Issue Price II and credited as fully paid subject to and in accordance with the terms and conditions of the Share Acquisition Agreement II
“Convertible Bond I”	a convertible bond in the principal amount of HK\$846,000,000, to be issued by the Company in favour of Ultra Choice upon Completion I pursuant to the Share Acquisition Agreement I
“Convertible Bond II”	a convertible bond in the principal amount of HK\$138,000,000, to be issued by the Company in favour of Faith Mount upon Completion II pursuant to the Share Acquisition Agreement II
“Conversion Period I”	the period commencing after six months from the date of Completion I up to 4:00 p.m. (Hong Kong time) on the day immediately prior to and exclusive of the maturity date
“Conversion Period II”	the period commencing after six months from the date of Completion II up to 4:00 p.m. (Hong Kong time) on the day immediately prior to and exclusive of the maturity date
“Conversion Price I”	the initial Conversion Price I of HK\$0.30 per Conversion Share I, subject to adjustments, pursuant to the terms of the respective Convertible Bond I
“Conversion Price II”	the initial Conversion Price II of HK\$0.30 per Conversion Share II, subject to adjustments, pursuant to the terms of the respective Convertible Bond II
“Conversion Shares I”	the Shares to be issued upon the exercise of the conversion rights in respect of the Convertible Bond I

“Conversion Shares II”	the Shares to be issued upon the exercise of the conversion rights in respect of the Convertible Bond II
“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 Acquisitions and the transactions contemplated thereunder
“Faith Mount”	Faith Mount Limited, an investment holding company incorporated in the British Virgin Islands and is wholly owned by Ms. Luu, an Independent Third Parties
“First Profit Guarantee I”	the guarantee provided by Ms. Lei under the Hao Cai Profit Agreement that the Profits for the First Relevant Period I will not be less than HK\$101,250,000
“First Profit Guarantee II”	the guarantee provided by Ms. Luu under the Neptune Ouro Profit Agreement that the Profits for the First Relevant Period II will not be less than HK\$33,750,000
“First Relevant Period I”	the period from 1st January, 2008 to 30th June, 2008 in respect of the First Profit Guarantee I under the Hao Cai Profit Agreement
“First Relevant Period II”	the period from 1st January, 2008 to 30th June, 2008 in respect of the First Profit Guarantee II under the Neptune Ouro Profit Agreement
“Fourth Profit Guarantee I”	the guarantee provided by Ms. Lei under the Hao Cai Profit Agreement that the Hao Cai Profit for the Fourth Relevant Period I will not be less than HK\$128,250,000
“Fourth Profit Guarantee II”	the guarantee provided by Ms. Luu under the Neptune Ouro Profit Agreement that the Neptune Ouro Profit for the Fourth Relevant Period II will not be less than HK\$42,750,000
“Fourth Relevant Period I”	the period from 1st July, 2009 to 31st December, 2009 in respect of the Fourth Profit Guarantee I under the Hao Cai Profit Agreement
“Fourth Relevant Period II”	the period from 1st July, 2009 to 31st December, 2009 in respect of the Fourth Profit Guarantee II under the Neptune Ouro Profit Agreement
“Fifth Profit Guarantee I”	the guarantee provided by Ms. Lei under the Hao Cai Profit Agreement that the Hao Cai Profit for the Fifth Relevant Period I will not be less than HK\$135,000,000
“Fifth Profit Guarantee II”	the guarantee provided by Ms. Luu under the Neptune Ouro Profit Agreement that the Neptune Ouro Profit for the Fifth Relevant Period II will not be less than HK\$45,000,000

“Fifth Relevant Period I”	the period from 1st January, 2010 to 31st December, 2010 in respect of the Fifth Profit Guarantee I under the Hao Cai Profit Agreement
“Fifth Relevant Period II”	the period from 1st January, 2010 to 31st December, 2010 in respect of the Fifth Profit Guarantee II under the Neptune Ouro Profit Agreement
“Group”	the Company and its subsidiaries
“Hao Cai”	Hao Cai Sociedade Unipessoal Limitada, a company incorporated in Macau, which is wholly-owned by Ms. Lei and is principally engaged in the junket representative/gaming promoter business, an Independent Third Party
“Hao Cai Junket Representative Agreement”	the junket representative agreement entered into between Venetian Macau, S.A., an Independent Third Party and Hao Cai and expiring on 31st December, 2007
“Hao Cai Profit”	0.4% of the Rolling Turnover generated by Hao Cai 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 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 were to act as junket representative for the VIP gaming rooms, additional licences and/or junket representative agreements may be required to be executed
“Hao Cai Profit Agreement”	the agreement dated 16th November, 2007 entered into among Profit Forest as a purchaser, Ms. Lei as a vendor and Hao Cai relating to the sale and purchase of a 100% interest in the Hao Cai Profit
“Hero Will”	Hero Will Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company, the purchaser under the Share Acquisition Agreement II
“Hong Kong”	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 or substantial shareholders of the Company and its subsidiaries or any of their respective associate
“Initial Acquisition”	the acquisition by the Company of a 100% equity interest in Credible Limited as announced on 9th February, 2007
“Instrument I”	an instrument constituting the Convertible Bond I



“Instrument II”	an instrument constituting the Convertible Bond II
“Issue Price I”	HK\$0.30 per Consideration Share I
“Issue Price II”	HK\$0.30 per Consideration Share II
“Junket Representative Agreements”	Hao Cai Junket Representative Agreement and Neptune Ouro Junket Representative Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	Macau Special Administrative Region of the PRC
“MOP”	Patacas, the lawful currency of Macau
“Ms. Lei”	Ms. Lei In Peng, an Independent Third Party, introduced to the Company by Mr. Guo Nam, a counterparty to the Initial Acquisition
“Ms. Luu”	Ms. Luu Muoi Heng, an Independent Third Party, introduced to the Company by Mr. Guo Nam, a counterparty to the Initial Acquisition
“Neptune Ouro”	Netpune Ouro Sociedade Unipessoal Limitada, a company incorporated in Macau, which is wholly-owned by Ms. Luu and is principally engaged in the junket representative/gaming promoter business, an Independent Third Party
“Neptune Ouro Junket Representative Agreement”	the junket representative agreement entered into between Venetian Macau, S.A., an Independent Third Party and Neptune Ouro expiring on 31st December, 2007
“Neptune Ouro Profit”	0.4% of the Rolling Turnover generated by Neptune Ouro and/or its customers at Venetian Macau, S.A. gaming rooms pursuant to the Neptune Ouro Junket Representative Agreement and such other VIP gaming rooms whereby Neptune Ouro is a duly appointed junket representative or such other VIP gaming rooms whereby Neptune Ouro can procure the sale/assignment of a percentage of Rolling Turnover generated by the duly appointed junket representatives. If Neptune Ouro were to act as junket representative for the VIP gaming rooms, additional licences and/or junket representative agreements may be required to be executed
“Neptune Ouro Profit Agreement”	the agreement dated 16th November, 2007 entered into among Sky Advantage as a purchaser, Ms. Luu as a vendor and Neptune Ouro relating to the sale and purchase of a 100% interest in the Neptune Ouro Profit

“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 she 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
“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 I”	the First Profit Guarantee I, the Second Profit Guarantee I, the Third Profit Guarantee I, the Fourth Profit Guarantee I, the Fifth Profit Guarantee I and the Sixth Profit Guarantee I
“Profit Guarantees II”	the First Profit Guarantee II, the Second Profit Guarantee II, the Third Profit Guarantee II, the Fourth Profit Guarantee II, the Fifth Profit Guarantee II and the Sixth Profit Guarantee II
“Rolling Turnover”	the value of Non-negotiable Chips acquired by Hao Cai and Neptune Ouro on behalf of their customers less the value of Non-negotiable Chips redeemed by Hao Cai and Neptune Ouro on behalf of its customers
“Sale Shares I”	85 ordinary shares, being 85% of the total issued share capital of Profit Forest
“Sale Shares II”	85 ordinary shares, being 85% of the total issued share capital of Sky Advantage
“Second Profit Guarantee I”	the guarantee provided by Ms. Lei under the Hao Cai Profit Agreement that the Hao Cai Profit for the Second Relevant Period I will not be less than HK\$106,500,000
“Second Profit Guarantee II”	the guarantee provided by Ms. Luu under the Neptune Ouro Profit Agreement that the Neptune Ouro Profit for the Second Relevant Period II will not be less than HK\$35,500,000
“Second Relevant Period I”	the period from 1st July, 2008 to 31st December, 2008 in respect of the Second Profit Guarantee I under the Hao Cai Profit Agreement
“Second Relevant Period II”	the period from 1st July, 2008 to 31st December, 2008 in respect of the Second Profit Guarantee II under the Neptune Ouro Profit Agreement

“Share Acquisition Agreement I”	the conditional sale and purchase agreement dated 16th November, 2007 entered into among Stand Great as a purchaser, Ultra Choice as vendors and warrantors and Ms. Lei as warrantors relating to the sale and purchase of the Sale Shares I
“Share Acquisition Agreement II”	the conditional sale and purchase agreement dated 16th November, 2007 entered into among Hero Will as a purchaser, Faith Mount as vendors and warrantors and Ms. Luu as warrantors relating to the sale and purchase of the Sale Shares II
“Share(s)”	ordinary share(s) of HK\$0.20 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sixth Profit Guarantee I”	the guarantee provided by Ms. Lei under the Hao Cai Profit Agreement that the Hao Cai Profit for the Sixth Relevant Period I will not be less than HK\$146,250,000
“Sixth Profit Guarantee II”	the guarantee provided by Ms. Luu under the Neptune Ouro Profit Agreement that the Neptune Ouro Profit for the Sixth Relevant Period II will not be less than HK\$48,750,000
“Sixth Relevant Period I”	the period from 1st July, 2010 to 31st December, 2010 in respect of the Sixth Profit Guarantee I under the Hao Cai Profit Agreement
“Sixth Relevant Period II”	the period from 1st July, 2010 to 31st December, 2010 in respect of the Sixth Profit Guarantee II under the Neptune Ouro Profit Agreement
“Sky Advantage”	Sky Advantage Limited, a company incorporated in the British Virgin Islands
“Stand Great”	Stand Great Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company, the purchaser under the Share Acquisition Agreement I
“Third Profit Guarantee I”	the guarantee provided by Ms. Lei under the Hao Cai Profit Agreement that the Hao Cai Profit for the Third Relevant Period I will not be less than HK\$117,000,000
“Third Profit Guarantee II”	the guarantee provided by Ms. Luu under the Neptune Ouro Profit Agreement that the Neptune Ouro Profit for the Third Relevant Period II will not be less than HK\$39,000,000
“Third Relevant Period I”	the period from 1st January, 2009 to 30th June, 2009 in respect of the Third Profit Guarantee I under the Hao Cai Profit Agreement

“Third Relevant Period II”	the period from 1st January, 2009 to 30th June, 2009 in respect of the Third Profit Guarantee II under the Neptune Ouro Profit Agreement
“Ultra Choice”	Ultra Choice Limited, an investment holding company incorporated in the British Virgin Islands and is wholly owned by Ms. Lei, an Independent Third Parties
“Venetian”	Venetian Macau, S.A., the second resort opened by Las Vegas Sands’ in Macau. The Venetian has 3,000 suites in a 32-storey and has gaming activities as well as convention and entertainment facilities. The operator of Venetian Macau S.A. is the concessionaire licensee licensed by the Macau Government to carry out casino business in Macau
“Venetian gaming rooms”	the VIP gaming rooms in Venetian, including the one operated by Hao Cai in which there are 12 gaming tables, and the one operated by Neptune Ouro in which there are 4 gaming tables, and including private VIP gaming room facilities
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“US\$”	United States of America dollars
“%”	per cent.

By Order of the Board  
**Neptune Group Limited**  
**Lin Cheuk Fung**  
*Chairman*

Hong Kong, 29th November, 2007

*At the date of announcement, the Board comprises Mr. Lin Cheuk Fung, Mr. Nicholas J. Niglio, Mr. Chan Shiu Kwong, Stephen, Mr. Lau Kwok Hung, Mr. Wan Yau Shing, Ban and Mr. Lau Kwok Keung (all being executive Directors), Mr. Wong Yuk Man, Mr. Cheung Yat Hung, Alton and Mr. Yue Fu Wing (all being independent non-executive Directors).*