THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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

NEPTUNE GROUP LIMITED

海 王 集 團 有 限 公 司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 70)

(1) VERY SUBSTANTIAL ACQUISITION IN RELATION TO THE PROPOSED ACQUISITION OF 85% OF THE ENTIRE ISSUED SHARE CAPITAL OF EACH OF PROFIT FOREST LIMITED AND SKY ADVANTAGE LIMITED (2) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL AND (3) PROPOSED CHANGE OF CHINESE NAME OF THE COMPANY

A notice convening the extraordinary general meeting of Neptune Group Limited to be held at Unicorn & Phoenix Room, The Charterhouse, 209-219 Wanchai Road, Hong Kong on Friday, 7th March, 2008 at 10:00 a.m. is set out on pages 238 to 241 of this circular.

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

13th February, 2008

CONTENTS

	Page
DEFINITIONS	1
LETTER FROM THE BOARD	
Introduction	11
The Share Acquisition Agreement I	13
The Share Acquisition Agreement II	26
Hao Cai Profit Agreement	42
Neptune Ouro Profit Agreement	43
Service Contracts	45
Reasons for the Acquisitions	46
Financial Effect of Acquisition I	47
Financial Effect of Acquisition II	48
Financial Effect of both Acquisition I and II	49
Listing Rules Implications	50
Implications under the Laws of Hong Kong, Macau and The Listing Rules	51
Dilution Effect on Shareholding	55
Directors' View on the Junket Representative Agreements and the due diligence work done by the Directors	56
Industry Overview over the Gaming Business and Junket Business in Macau	57
Risk Factors of Junket Business and Licensing System	59
Proposed Increase in Authorised Share Capital	62
Proposed change of Chinese Name of the Company	62
Procedure for Demanding a Poll	63
The EGM	63
Recommendation	64
Additional Information	64
APPENDIX I – Management Discussion and Analysis	65
APPENDIX II – Financial Information on Profit Forest and Sky Advantage	76
APPENDIX III – Financial Information on the Group	104
APPENDIX IV – Pro forma Financial Information on the Enlarged Group	162
APPENDIX V – Property Valuation Report on the Enlarged Group	205
APPENDIX VI – Asset Valuation Report on Profit Forest and Sky Advantage	224
APPENDIX VII – General Information	231
NOTICE OF EXTRAORDINARY GENERAL MEETING	238

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

"Acquisitions"	collectively Acquisition I and Acquisition II
"Acquisition Agreements"	collectively 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
"Announcement"	the announcement dated 29th November, 2007 made by the Company in relation to the Acquisitions
"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
"Change of Chinese Name"	the proposed change of the Chinese name of the Company from "海王集團有限公司" to "海王國際集團有限公司"
"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 Main Board of 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 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 Convertible Bond II
"Conversion Shares I"	the Shares to be allotted and issued upon the exercise of the conversion rights in respect of the Convertible Bond I
"Conversion Shares II"	the Shares to be allotted and 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 Acquisition Agreements, the Acquisitions and the transactions contemplated thereunder, the issue of the Convertible Bond I, Convertible Bond II, the allotment and issue of Conversion Shares I and Conversion Shares II upon conversion of Convertible Bond I and II respectively, the allotment and issue of Consideration Shares I and Consideration Shares II, the Capital Increase and the Change of Chinese Name
"Enlarged Group"	the Group as enlarged by the Acquisitions
"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
"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
"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
"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
"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"	collectively Hao Cai Junket Representative Agreement and Neptune Ouro Junket Representative Agreement
"Latest Practicable Date"	6th February, 2008, being the latest practicable date prior to the printing of this circular for ascertaining certain information herein
"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"	Neptune 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
"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 designated areas 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 circular, 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 in Profit Forest, being 85% of the total issued share capital of Profit Forest
"Sale Shares II"	85 ordinary shares in Sky Advantage, 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
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$0.20 each in the share capital of the Company
"Share Acquisition Agreement I"	the conditional sale and purchase agreement dated 16th November, 2007 entered into among Stand Great as purchaser, Ultra Choice as vendor and warrantor and Ms. Lei as warrantor 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 purchaser, Faith Mount as vendor and warrantor and Ms. Luu as warrantor relating to the sale and purchase of the Sale Shares II
"Shareholder(s)"	holder(s) of the Share(s)
"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
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"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.

NEPTUNE GROUP LIMITED
海王集團有限公司

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

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

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

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

13th February, 2008

To the Shareholders

Dear Sir or Madam,

(1) VERY SUBSTANTIAL ACQUISITION IN RELATION TO THE PROPOSED ACQUISITIONS OF 85% OF THE ENTIRE ISSUED SHARE CAPITAL OF EACH OF PROFIT FOREST LIMITED AND SKY ADVANTAGE LIMITED (2) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL AND (3) PROPOSED CHANGE OF CHINESE NAME OF THE COMPANY

INTRODUCTION

The Board announced on 29th November, 2007 that Stand Great, a wholly-owned subsidiary of the Company, has entered into the Share Acquisition Agreement I on 16th November, 2007 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 I 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 balance 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.

The Board also announced that on 29th November, 2007 Hero Will, a wholly-owned subsidiary of the Company has entered into the Share Acquisition Agreement II on 16th November, 2007 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 balance 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. Share Acquisition Agreement I and Share Acquisition Agreement II are not interconditional.

The purpose of this circular is to provide you with further information in respect of the Acquisition Agreements, the Acquisitions, the Capital Increase and the Change of Chinese Name together with a notice of the SGM at which ordinary resolutions will be proposed to consider and if thought fit, approve, inter alia, the Acquisition Agreements, the Acquisitions and the Capital Increase and a special resolution will be proposed to consider and if thought fit, approve, inter alia, the Change of Chinese Name.

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 the 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 Board does not consider there to be any risk in the non-recoverability of the HK$25 million deposit paid as Ms. Lei owns the entire issued quota of Hao Cai (the operating gaming promoter) which owns a 100% of the Rolling Turnover generated by Hao Cai (whereas the Hao Cai Profit represents only a 0.4% of the Rolling Turnover generated by Hao Cai) and she should therefore have efficient credit worthiness and financial status for the repayment of the deposit when necessary.

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, the prospects of Macau's gaming business and the results of asset valuation report on Profit Forest as referred to in Appendix VI of this circular. 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 MOP57.52 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 an indefinite lengthen 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.

As compared with the valuation on Profit Forest at the amount of HK$1,360,000,000 conducted by BMI Appraisals Limited as referred to in Appendix VI of this circular, the Directors concluded that the Consideration payable for the Acquisition I in the amount of HK$1,144,440,000 is fair and reasonable after due negotiation with the Vendor whereas the valuation report is based on market approach under generally accepted valuation methodologies.

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.

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

Completion

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

The issue of the Consideration Shares I and Consideration Shares II and the Conversion Shares I and Conversion Shares II upon exercise in full of the conversion rights attached to the Convertible Bond I and Convertible Bond II will not result in a change of control of the Company.

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 the 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; and (iv) approximately 29.91% of the issued share capital of the Company as at the Latest Practicable Date.

The Issue 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 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 25% to the closing price of HK$0.24 per Share as quoted on the Stock Exchange as at the Latest Practicable Date.

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 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; (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; and (v) a premium of approximately 25% to the closing price of HK$0.24 per Share as quoted on the Stock Exchange as at the Latest Practicable Date.

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 Latest Practicable Date		**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:	2,407,244,500	100.00	3,127,244,500	100.00	5,947,244,500	100.00

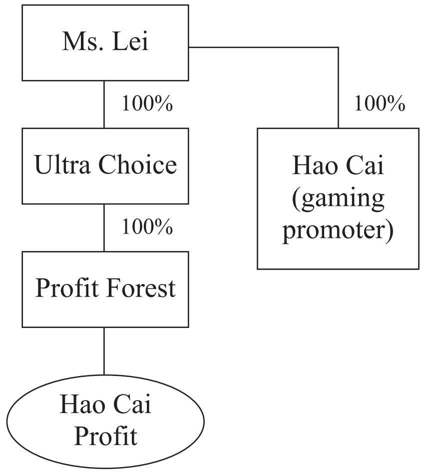
Notes:

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.

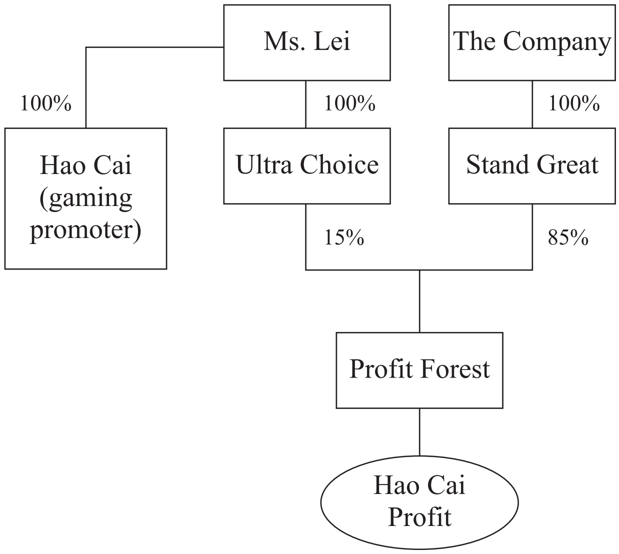
2. Ultra Choice is wholly and beneficially owned by Ms. Lei. Under the respective terms of Convertible Bond I, Ultra Choice cannot convert Convertible Bond I or part thereof if upon the exercise of the conversion rights under the Convertible Bond I, Ultra Choice and parties acting in concert with it, 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 unincorproate 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.

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

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 the 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 Board does not consider there to be any risk in the non-recoverability of the HK$10 million deposit paid as Ms. Luu owns the entire issued quota of Neptune Ouro (the operating gaming promoter) which owns a 100% of the Rolling Turnover generated by Neptune Ouro (whereas the Neptune Ouro Profit represents only a 0.4% of the Rolling Turnover generated by Neptune Ouro) and she should therefore have efficient credit worthiness and financial status for the repayment of the deposit when necessary.

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, the prospects of Macau's gaming business and the results prepared by BMI Appraisals Limited as referred to in Appendix VI of this circular. Based on the statistics in relation to "Gross revenue from different gaming activities" as published in the official website of Gaming Inspection and of asset valuation report on Sky Advantage 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 MOP57.52 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 an indefinite lengthen 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.

As compared with the valuation on Sky Advantage at the amount of HK$450,000,000 conducted by BMI Appraisals Limited as referred to in Appendix VI of this circular, the Directors concluded that the Consideration payable for the Acquisition II in the amount of HK$381,480,000 is fair and reasonable after due negotiation with the Vendor whereas the valuation report is based on market approach under generally accepted valuation methodologies.

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.

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

Completion

Completion shall take place at 11:00 a.m. on the second Business Day after the last of the conditions of the Share Acquisition Agreement 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 issue of the Consideration Shares I and Consideration Shares II and the Conversion Shares I and Conversion Shares II upon exercise in full of the conversion rights attaching to the Convertible Bond I and Convertible Bond II will not result in a change of control of the Company.

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 the 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; and (iv) approximately 29.91% of the issued share capital of the Company as at the Latest Practicable Date.

The Issue 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 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 25% to the closing price of HK$0.24 per Share as quoted on the Stock Exchange as at the Latest Practicable Date.

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 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; (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; and (v) a premium of approximately 25% to the closing price of HK$0.24 per Share as quoted on the Stock Exchange as at the Latest Practicable Date.

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 Latest Practicable Date		**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 *(Note 1)*	–	–	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:	2,407,244,500	100.00	3,127,244,500	100.00	3,587,244,500	100.00

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:

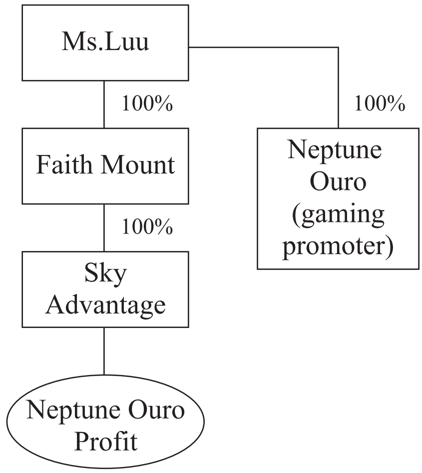
	As at the Latest Practicable Date		Immediately after the allotment and issue of Consideration Shares I and Consideration Shares II		Assuming full conversion of Convertible Bond I and Convertible Bond II and after allotment and issue of the Consideration Shares I and Consideration Shares II	
	No. of shares	*%*	*No. of shares*	*%*	*No. of shares*	*%*
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	1,721,426,822	71.51	1,721,426,822	44.75	3,123,966,197	43.83
Total:	2,407,244,500	100.00	3,847,244,500	100.00	7,127,244,500	100.00

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

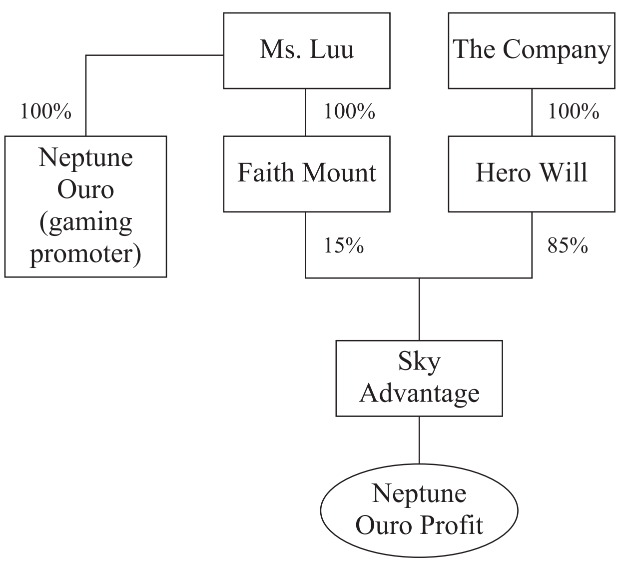
** This assumes the share capital has been enlarged by the allotment and issue of all Conversion Shares I and Conversion Shares II and as such the share capital base would be larger therefore the number of Shares held by Ultra Choice capped at 29.99% is higher than the chart on page 23 herein.

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 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 unincorproate 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.

At 30 November 2007, Sky Advantage had net current liabilities of HK$5,383. Ms. Luu, the director of Sky Advantage, has confirmed that, it is her intention to provide continuing financial support to Sky Advantage, subject to the condition that the relationship between Ms. Luu and Sky Advantage does not change, so as to enable it to meet its liabilities as and when they fall due and to continue its business for the foreseeable future. Ms. Luu believes that Sky Advantage will continue as going concern. Consequently, the Directors are of the view that Sky Advantage will continue its business on an ongoing basis.

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 8th January, 2007 and expires on 31st 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 31st 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 31st 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 ACQUISITIONS

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 cruises. 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 a 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's 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 30th September, 2007. Such gaming licences were renewed on 12th December, 2007 respectively with effect until 31st December, 2008.

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.

FINANCIAL EFFECT OF ACQUISITION I

Prior to Acquisition I, the Company does not hold any interest in Profit Forest. Upon the completion of Acquisition I, the Company will directly and beneficially own 85% of the equity interest in Profit Forest. According to the accounting policies of the Group, Profit Forest will be treated as an indirect non wholly-owned subsidiary of the Company and its financial results will be consolidated into the Group.

Earnings

The Group recorded an audited consolidated profit attributable to the equity holders of the Company of approximately HK$5 million for the year ended 30th June, 2007. According to the unaudited pro forma financial information on the Enlarged Group I set out in Appendix IV to this circular, the unaudited consolidated loss attributable to the equity holders of the Enlarged Group I would be approximately HK$16 million after the completion of Acquisition I and the pro forma basic loss per share will be approximately HK0.77 cents being the pro forma net loss of the Enlarged Group I divided by the total weighted average number of ordinary shares issued.

Negative goodwill of approximately HK$12 million arising from Acquisition I, which is derived from the consideration of HK$1,144 million minus the fair value of 85% interest in the net assets of Profit Forest acquired which amounted to approximately HK$1,156 million as at 30th November, 2007. The negative goodwill would be recognised in the consolidated income statement.

Assets

As at 30th June, 2007, the audited total assets of the Group were approximately HK$452 million. As set out in the unaudited pro forma balance sheet of the Enlarged Group I set out in Appendix IV to this circular, the unaudited pro forma total assets of the Enlarged Group I would be increased by approximately HK$1,278 million to approximately HK$1,730 million, where the unaudited pro forma net assets of the Enlarged Group I would be approximately HK$1,043 million and turned to net tangible liabilities (total assets less goodwill less intangible assets less total liabilities) of approximately HK$317 million. The increase in unaudited total assets is mainly attributable to the net effect of increase in interest in a profit sharing agreement of approximately HK$1,360 million respectively and decrease in cash and bank balances of approximately HK$82 million arising from Acquisition I.

Liabilities

The Group recorded audited consolidated total liabilities of approximately HK$156 million as at 30th June, 2007. As set out in the pro forma consolidated balance sheet of the Enlarged Group I set out in Appendix IV to this circular, the unaudited pro forma total liabilities of the Enlarged Group I would be increased by approximately HK$531 million to approximately HK$687 million. The increase is mainly attributable to the issuance of Convertible Bond I of approximately HK$464 million and the deferred tax liabilities of approximately HK$67 million.

The Directors are of the view that there would not be any material capital commitment nor contingent liability arising from Acquisition I that will have material adverse impact on the financial position of the Group immediately after the completion of Acquisition I.

FINANCIAL EFFECT OF ACQUISITION II

Prior to Acquisition II, the Company does not hold any interest in Sky Advantage. Upon the completion of Acquisition II, the Company will directly and beneficially own 85% of the equity interest in Sky Advantage. According to the accounting policies of the Group, Sky Advantage will be treated as an indirect non wholly-owned subsidiary of the Company and its financial results will be consolidated into the Group.

Earnings

The Group recorded an audited consolidated profit attributable to the equity holders of the Company of approximately HK$5 million for the year ended 30th June, 2007. According to the unaudited pro forma financial information on the Enlarged Group II set out in Appendix IV to this circular, the unaudited consolidated profit attributable to the equity holders of the Enlarged Group II would be approximately HK$0.4 million after the completion of Acquisition II and the pro forma basic earnings per share will be approximately HK0.02 cents being the pro forma net loss of the Enlarged Group II divided by the total weighted average number of ordinary shares issued.

Negative goodwill of approximately HK$1 million arising from Acquisition II, which is derived from the consideration of HK$381 million minus the fair value of 85% interest in the net assets of Sky Advantage acquired which amounted to approximately HK$382 million as at 30th November, 2007. The negative goodwill would be recognised in the consolidated income statement.

Assets

As at 30th June, 2007, the audited total assets of the Group were approximately HK$452 million. As set out in the unaudited pro forma balance sheet of the Enlarged Group II set out in Appendix IV to this circular, the unaudited pro forma total assets of the Enlarged Group II would be increased by approximately HK$423 million to approximately HK$875 million, where the unaudited pro forma net assets of the Enlarged Group II would be approximately HK$632 million and turned to net tangible assets (total assets less goodwill less intangible asset less total liabilities) of approximately HK$182 million. The increase in unaudited total assets is mainly attributable to the net effect of increase in a profit sharing agreement of approximately HK$450 million and decreases in cash and balances of approximately HK$27 million arising from Acquisition II.

Liabilities

The Group recorded audited consolidated total liabilities of approximately HK$156 million as at 30th June, 2007. As set out in the pro forma consolidated balance sheet of the Enlarged Group II set out in Appendix IV to this circular, the unaudited pro forma total liabilities of the Enlarged Group II would be increased by approximately HK$87 million to approximately HK$243 million. The increase is mainly attributable to the issuance of Convertible Bond II of approximately HK$76 million and the deferred tax liabilities of approximately HK$11 million.

The Directors are of the view that there would not be any material capital commitment nor contingent liability arising from Acquisition II that will have material adverse impact on the financial position of the Group immediately after the completion of Acquisition II.

FINANCIAL EFFECT OF BOTH ACQUISITION I AND II

Prior to the Acquisition I & II, the Company does not hold any interest in Profit Forest and Sky Advantage. Upon the completion of Acquisition I & II, the Company will directly and beneficially own 85% of the equity interest in both Profit Forest and Sky Advantage. According to the accounting policies of the Group, Profit Forest and Sky Advantage will be treated as indirect non wholly-owned subsidiaries of the Company and their financial results will be consolidated into the Group.

Earnings

The Group recorded an audited consolidated profit attributable to the equity holders of the Company of approximately HK$5 million for the year ended 30th June, 2007. According to the unaudited pro forma financial information on the Enlarged Group III set out in Appendix IV to this circular, the unaudited consolidated loss attributable to the equity holders of the Enlarged Group III would be approximately HK$20 million after the completion of Acquisition I & II and the pro forma basic loss per share will be approximately HK0.72 cents being the pro forma net loss of the Enlarged Group III divided by the total weighted average number of ordinary shares issued.

Negative goodwill of approximately HK$13 million arising from the Acquisition I & II, which is derived from the total consideration of HK$1,526 million minus the fair value of 85% interest in the net assets of Profit Forest and Sky Advantage acquired which amounted to approximately HK$1,539 million as at 30th November, 2007. The negative goodwill would be recognised in the consolidated income statement.

Assets

As at 30th June, 2007, the audited total assets of the Group were approximately HK$452 million. As set out in the unaudited pro forma balance sheet of the Enlarged Group III set out in Appendix IV to this circular, the unaudited pro forma total assets of the Enlarged Group III would be increased by approximately HK$1,701 million to approximately HK$2,153 million, where the unaudited pro forma net assets of the Enlarged Group III would be approximately HK$1,379 million and turned to net tangible liabilities (total assets less goodwill less interest in a profit sharing agreement less total liabilities) of approximately HK$431 million. The increase in unaudited total assets is mainly attributable to the net effect of increase in interest in a profit sharing agreement of approximately HK$1,810 million and decrease in cash and bank balances of approximately HK$109 million arising from Acquisition I & II.

Liabilities

The Group recorded audited consolidated total liabilities of approximately HK$156 million as at 30th June, 2007. As set out in the pro forma consolidated balance sheet of the Enlarged Group III set out in Appendix IV to this circular, the unaudited pro forma total liabilities of the Enlarged Group III would be increased by approximately HK$618 million to approximately HK$774 million. The increase is mainly attributable to the issuance of convertible bond of approximately HK$540 million and the deferred tax liabilities of approximately HK$78 million.

The Directors are of the view that there would not be any material capital commitment nor contingent liability arising from Acquisition I & II that will have material adverse impact on the financial position of the Group immediately after the completion of Acquisition I & II.

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.

IMPLICATIONS UNDER THE LAWS OF HONG KONG, MACAU 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, Robertsons, 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. The basis for this view is that the Company is in essence buying the profit of a company whose income is derived from gaming. The Company has no gaming operation whatever and has no control or interest in Hao Cai and Neptune Ouro's junket business;

(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 as they do not carry on business in 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 11th March, 2003, should the Group directly or indirectly be engaged in gambling activities and operation of such gambling activities (i) fail to comply with the applicable laws in the areas where such activities operate and/or (ii) contravene the Gambling Ordinance, the Company or its business may be considered unsuitable for listing under Rule 8.04 of the Listing Rules, the Stock Exchange may direct the Company to take remedial action, and/or may suspend dealings in, or may cancel the listing of, the Shares.

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

In respect of the applicable regulatory or licensing requirement of gaming promotion business in Macau,

(1) Administrative Regulation no. 6/2002, dated 20th March, 2002 (Gaming Promotion Regulation) regulates the conditions to become a gaming promoter and conduct the activity of gaming promotion related to games of fortune or chance in casino, namely the probity verification procedures and the licensing process required to become a gaming promoter.

(2) The promotion of games of fortune or chance, also termed gaming promotion, is the activity of promoting games of fortune or chance before gaming patrons by granting certain amenities, like transportation, lodging, food and entertainment in return for a commission or other form of payment from a concessionaire.

(3) Only commercial companies, commercial entrepreneurs (empresario em nome individual) or individuals that fulfil the conditions set by Administrative Regulation no. 6/2002 are entitled to operate as a gaming promoter.

(4) DICJ may request the winding-up and judicial liquidation of any entity that carries out gaming promotion without the proper licence.

(5) If the gaming promoter is a commercial company, its scope of business must be solely the promotion of games of fortune or chance in casino and its shareholders must all be individuals.

(6) If the corporate gaming promoter is a joint stock company, the shares must all be nominative and the share capital must be fully subscribed and paid up upon incorporation.

(7) It is forbidden for corporate gaming promoters to resort to public subscription and the registration of a corporate gaming promoter can only be completed after the gaming promoter has obtained proper licence.

(8) For the gaming promoters that are commercial entrepreneurs (empresario em nome individual) the registration of its acts can only be made after obtaining of the proper licence.

(9) To become a gaming promoter it is necessary that the Macau Government through the DICJ grant a gaming promoter licence.

(10) This licence can only be granted when the applicant is found to comply with the probity requirements.

(11) The licensing process is initiated with an application request submitted to DICJ 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 gaming promoter.

(12) All gaming promoters, corporate or individuals, must submit to the probity confirmation procedures and are obliged to disclose all information necessary and cooperate with the Government.

(13) Regarding the corporate gaming promoters, the probity requirements also apply to its shareholder with 5% or more of the share capital and its key employees.

(14) The licence granted to the gaming promoters is valid for one civil year, renewable.

(15) In order to renew the licence, the gaming promoter shall submit an application form to the DICJ until 30th September of each year, the application procedures for the renewal finished on 30th September each year and the Macau Government will publish a list of licenced gaming promoters on 1st January in the following year.

(16) The application form shall be accompanied with a declaration subscribed 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.

(17) The gaming promoter, which is a commercial company – as Neptune Ouro and Hao Cai – their shareholders that hold 5% or more of the issued capital, directors and key employees are subject to a suitability verification process every six years. The purpose of this suitability verification is to ensure that the gaming promoters, their shareholders with 5% or more of the share capital, directors and key employees remain suitable/idoneous during a certain period of time. In accordance with the Administrative Regulation no. 6/2002, dated 20th March, 2002 (Gaming Promotion Regulation), notwithstanding the periodity mentioned above, DICJ May at its own discretion, subject the gaming promotion companies, their shareholders that hold 5% or more of the issued capital, directors and key employees, to an extraordinary assessment of suitability process. Furthermore, when the licences are renewed, the Macau Government has the discretionary power to settle any requisites or specific conditions that must be observed and accomplished by any promoter that applies for such renewal.

(18) Unless otherwise agreed by the parties, the gaming promotion activity is not executed in exclusiveness; gaming promoters may operate with several concessionaires.

(19) The concessionaires and the gaming promoters are jointly and severally liable for the gaming promoters activity compliance with all relevant laws and regulations within its casinos.

(20) This regulation provides that the entities or individuals that already carried out gaming promotion activities at the time the regulation was enacted could temporarily continue to do so, until the first licensing process was completed.

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

(1) the gaming activities carried out by Hao Cai and Neptune Ouro in Macau are legal and lawful under Macau law;

(2) the gaming promoter activity carried out by Hao Cai and Neptune Ouro do not contravene any applicable laws of Macau; and

(3) the Hao Cai Profit Agreement and the Neptune Ouro Profit Agreement and the transactions contemplated thereunder do not contravene the laws of Macau.

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

(1) Venetian Macau Limited is the concessionaire licensed by the Macau Government to carry out casino business in Macau.

(2) Hao Cai and Neptune Ouro are validly licensed to act as gaming promoters in Macau, as evidenced in the "Licenca De Promotor De Jogo Pessoa Colectiva".

(3) Profit Forest and Sky Advantage are investment companies to receive the profit from Hao Cai and Neptune Ouro respectively and they do not carry out any casino or gaming promotion activities in either Hong Kong or Macau. Therefore, the business activities of Profit Forest and Sky Advantage will not constitute unlawful activities under the laws of Hong Kong and Macau.

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:

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 Licenca De Promotor De Jogo Pessoa Colectiva (法人的博彩中介人准照), the licence granted by DICJ (the relevant governmental department in Macau responsible for the issuance of gaming promoter licences) to 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 do, in fact, exist.

INDUSTRY OVERVIEW OVER THE GAMING BUSINESS AND JUNKET BUSINESS IN MACAU

Macau Gaming Business

History and Development

Macau is the only city in China where gambling is legally permitted. Gaming has been lawful in Macau since 1937. In 2002, the Macau Government decided to open up the 40-year gaming monopoly held by Sociedade de Turismo e Diversões de Macau, S.A., a company controlled by Dr. Stanley Ho, after the expiry of its exclusive concession. In addition to a new concession granted to Sociedade de Jogos de Macau, S.A., a subsidiary of Sociedade de Turismo e Diversões de Macau, S.A. for 18 years, two new 20-year concessions were granted to Wynn Resort (Macau), S.A. and the Galaxy/Venetian consortium.

Market demand

The gaming industry is now a vital industry of Macau. Recently, Macau has been ahead of Las Vegas in the USA and has become the largest gaming city in the world. Based on the gaming statistics prepared by DICJ, the revenue generated by the gaming activities is growing steadily at an average growth rate of approximately 23% each year for the period between 2002 and 2006. The total revenue from the gaming activities had increased from MOP23,496 million in 2002 to MOP57,521 million in 2006 whereas the gaming revenue (from games of fortune) had increased from MOP22,180 million in 2002 to MOP56,623 million in 2006. The revenue from the gaming activities for the first three quarters of 2007 amounted to MOP58,905 million.

One of the factors contributing to the strong growth should be the liberalization of the industry and entry of new players. The new players has opened more new casinos, which drive more visitors to Macau and hence generate more gaming revenue. Another reason for the strong growth is the increase of total number of visitors arrived in Macau, especially the increase of the PRC visitors. When there is an increase in number of visitors in Macau, especially increase in the number of PRC visitors, there will be greater demand for casinos as gaming is a popular leisure activity and Chinese have preference in gaming.

According to the Macau Statistics and Census Service, the number of visitors to Macau has increased significantly from approximately 9.2 million in 2000 to 27 million in 2007.

The reason for the great increase of PRC visitors is mainly due to the relaxation of rules governing individual travelers and remittance of cash from the PRC, and the continuing strength of the Chinese economy. The easing of travel restrictions in the PRC makes travel to Macau easier and allows more Chinese middle class travel to Macau.

Different game types of games of fortunes

According to the gaming statistics of DICJ, there are different game types of games of fortune that generate revenue in Macau.

By far, Baccarat is the most popular game type. According to the gaming statistics of DICJ, the gross revenue come from VIP Baccarat, Baccarat and Mini Baccarat for the first three quarters of 2007 are MOP38,875 million, MOP11,614 million and MOP216 million respectively. Other popular game types include Cussec, Black Jack, Slot Machines and Fish-Prawn-Crab.

Number of gaming tables and casinos in Macau

According to the gaming statistics prepared by DICJ, there are 3,992 gaming tables in the third quarter of 2007 which shows a significant increase from 339 gaming tables in 2002.

Also, there is significant increase in the number of casinos in Macau. According to the gaming statistics prepared by DICJ, there is a total number of 27 casinos in Macau in the third quarter of 2007 which is more than double of 11 casinos in Macau in 2002.

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 and Neptune Ouro each acting as junket representative for Venetian under the Hao Cai Junket Representative Agreement and the Neptune Ouro Junket Representative Agreement respectively. There is no assurance that Venetian is always attractive. In the event that Hao Cai and Neptune Ouro cease to be committed to the junket business or cease to be appointed as junket representatives 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 fail to obtain the renewal of their gaming licence from the Macau Government, they can no longer operate their 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.

Neptune Ouro and Hao Cai have implemented their internal control procedures and regulations in assisting Venetian Macau, to detect suspicious transactions in combating the money laundering. The measures include the followings:

1. Customer due diligence

Both Neptune Ouro and Hao Cai do not keep anonymous accounts or accounts in obviously fictitious names. They undertake customer due diligence measures, including identifying and verifying the identity of their customers by using reliable, independent source documents, data or information like official identification documents such as passport and identification card before or during the course of establishing a business relationship with the customer.

2. New and developing technologies that favour anonymity

Both Neptune Ouro and Hao Cai pay attention to any money laundering threats that may arise from any new and developing technologies that favour anonymity and, if necessary, to prevent their use in money laundering schemes.

3. Record keeping

Both Neptune Ouro and Hao Cai maintain, for at least seven years, all necessary records on transactions to enable them to comply swiftly with information requests from the competent authorities. Such record must be sufficient to permit reconstruction of individual transactions (including the amounts and types of currency involved if any) so as to provide, if necessary, evidence for prosecution of criminal activity.

Both Neptune Ouro and Hao Cai also keep records on the identification data obtained through the customer due diligence process and will make available to domestic competent authorities upon appropriate authorities.

4. Reporting of suspicious transactions

Both Neptune Ouro and Hao Cai pay attention to all settlement of unusually large sums and all unusual patterns of transactions which have no apparent economic or visible lawful purpose. If Neptune Ouro and Hao Cai suspect or have reasonable grounds to suspect that money that they deal with when providing its settlement services are the proceeds of a criminal activity, or is related to terrorist financing, or otherwise is linked to or related to, or is to be used for terrorism, they will report promptly its suspicions to competent authorities.

So far as Neptune Ouro and Hao Cai are aware, Venetian Macau has created its own corporate investigation team for the purpose of anti-money laundering.

Profit Forest does not have its own money laundering procedures as it is only acquiring a net profit stream of a company. It relies on the procedures and steps taken by both Venetian casinos and also the gaming promoters, that are, Neptune Ouro and Hao Cai for this process.

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

On 29th November, 2007, the Board announced that the Company proposed an increase in authorised share capital of the Company from HK$1,000,000,000 comprising 5,000,000,000 shares of par value of HK$0.20 each to HK$10,000,000,000 comprising 50,000,000,000 shares of par value of HK$0.20 each by the creation of 45,000,000,000 new shares of par value of HK$0.20 each (the "New Ordinary Shares"). The New Ordinary Shares, when allotted and issued, shall rank pari passu in all respects with the existing Shares.

The Company had 2,407,244,500 Shares in issue as at the Latest Practicable Date. Upon full conversion of the Conversion Shares I and the Conversion Shares II under Convertible Bond I and Convertible Bond II and after allotment and issue of the Consideration Shares I and the Consideration Shares II, an additional 4,720,000,000 new Shares would need to be issued and the total number of the Shares in issue would be 7,127,244,500. However, as at the Latest Practicable, the Company is only authorised to issue 5,000,000,000 Shares. The Board therefore considers that the Capital Increase is necessary and reasonable and in the interest of the Company. The Capital Increase shall be conditional upon the approval of an ordinary resolution by the Shareholders at the EGM. No amendments to the memorandum and articles of association of the Company is required in relation to the Capital Increase.

PROPOSED CHANGE OF CHINESE NAME OF THE COMPANY

On 1st February, 2008, the Board announced that the Company proposed the Change of Chinese Name. On 1st August 2007, the Company received a Letter of Name Complaint from the Companies Registry of Hong Kong to object against the use of the existing Chinese name "海王集團有限公司" by the Company on the ground that it is "too like" the name of an existing company known as NEPTUNUS GROUP (HONG KONG) LIMITED 海王集團(香港)有限公司 appearing at the index of companies names maintained in the Company Registry of Hong Kong. On 5th October 2007, the Company received a formal decision from the Registrar of Companies in Hong Kong to direct the Company to change its existing Chinese name "海王集團有限公司" within 6 weeks from 5th October 2007, which has subsequently been extended to within 10 weeks from 28th December 2007 (i.e. on or before 7 March 2008). As such, the Board proposes to adopt a new Chinese name "海王國際集團有限公司" subject to, among other things (i) the approval by the Shareholders at the EGM; and (ii) the approval by the Registrar of Companies in Hong Kong. The effective date of the proposed Change of Chinese Name will be the date on which the new Chinese name of the Company is entered by the Registrar of Companies in Hong Kong.

The Change of Chinese Name, if approved by Shareholders and the approval obtained by the Registrar of Companies in Hong Kong, will not affect any of the rights of the Shareholders. All existing share certificates in issue bearing the present name of the Company will, after the Change of Chinese Name, continue to be evidence of title to the Shares and will be valid for trading, settlement, registration and delivery for the same number of Shares in the new Chinese name of the Company. Accordingly, there will not be any arrangement for free exchange of existing share certificates for new share/warrant certificates under the Company's new Chinese name. Once the Change of Chinese Name has become effective, any new share certificates of the Company will be issued in the new Chinese name of the Company.

The Company will make further announcements on the outcome of the EGM and in the arrangement and timetable relating to the Change of Chinese Name and the trading and dealings in the Shares on the Stock Exchange under the new Chinese name of the Company.

PROCEDURE FOR DEMANDING A POLL

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

(a) the Chairman of the meeting; or

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

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

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

THE EGM

A notice convening the EGM to be held at Unicorn & Phoenix Room, The Charterhouse, 209-219 Wanchai Road, Hong Kong on Friday, 7th March, 2008 at 10:00 a.m. for the purpose of considering and, if thought fit, passing, with or without amendments, the ordinary resolutions to approve the entering into of the Acquisition Agreements, the Acquisitions and the transactions contemplated thereunder, the issue of the Convertible Bond I, Convertible Bond II, the allotment and issue of Conversion Shares I and Conversion Shares II upon conversion of Convertible Bond I and Convertible Bond II respectively, the allotment and issue of Consideration Shares I and Consideration Shares II and the Capital Increase and the special resolution to approve the Change of Chinese Name is set out on pages 238 to 241 of this circular.

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

RECOMMENDATION

The Board is of the opinion that the terms of the Acquisitions, the Acquisition Agreements, the Capital Increase and the Change of Chinese Name are in the interests of the Company and the Shareholders as a whole and that the terms of the Acquisition Agreements are fair and reasonable and on normal commercial terms. Therefore, the Board recommends that the Shareholders to vote in favour of the resolutions as set out in the notice of the EGM.

ADDITIONAL INFORMATION

The Board confirms that, save for the cruise ship, all the properties owned by the Group, Profit Forest and Sky Advantage have been reflected in the property valuation report as referred to in Appendix V of this circular. Your attention is also drawn to the additional information contained in the appendices to this circular.

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

MANAGEMENT DISCUSSION AND ANALYSIS

(A) For the year ended 30 June 2005

BUSINESS OVERVIEW

The audited net loss of the Group for the year ended 30 June 2005 amounted to HK$11,353,000.

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

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

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

TRADING OF LISTED INVESTMENTS IN SECURITIES

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

ENTERTAINMENT BUSINESS

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

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

The Group had net current assets of HK$100,621,000 as at 30 June 2005. Total bank and other borrowings amounted to HK$2,398,000 as at 30 June 2005. The net asset value of the Group as at year end was HK$222,450,000. The gearing ratio, calculated on the basis of total liabilities over total shareholders' funds as at 30 June 2005, was approximately 24%.

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

SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITIONS

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

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

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES AND RELATED HEDGES

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

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

EMPLOYEES

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

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

CHARGES ON ASSETS AND CONTINGENT LIABILITIES

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

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

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

(B) For the year ended 30 June 2006

BUSINESS OVERVIEW

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

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

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

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

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

TRADING OF LISTED INVESTMENTS IN SECURITIES

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

CRUISE BUSINESS

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

FINANCIAL REVIEW

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

CAPITAL STRUCTURE

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

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

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

PLEDGE OF GROUP'S ASSETS

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

CONTINGENT LIABILITIES

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

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

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES AND RELATED HEDGES

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

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

EMPLOYEES

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

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

DISPOSAL OF SUBSIDIARY AND JOINT VENTURE

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

(C) For the year ended 30 June 2007

BUSINESS OVERVIEW

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

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

The Company had no major acquisition during the year 2007.

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

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

CRUISE BUSINESS

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

FINANCIAL REVIEW

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

CAPITAL STRUCTURE

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

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

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

PLEDGE OF GROUP'S ASSETS

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

CONTINGENT LIABILITIES

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

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES AND RELATED HEDGES

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

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

EMPLOYEES

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

(D) Future Financial and Trading Prospects of the Group

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

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

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

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

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

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

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

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

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

(E) Profit Forest and Sky Advantage

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

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

BUSINESS REVIEW

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

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

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

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

CASHFLOW

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

CAPITAL STRUCTURE, FINANCIAL RESOURCES AND LIQUIDITY

General

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

Borrowing and banking facilities

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

Net current liabilities

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

Capital Structure

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

Charges on assets

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

Capital commitments

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

Remuneration policies and employee information

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

Significant investments and material acquisition

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

Gearing ratio

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

Foreign exchange exposure

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

Contingent liabilities

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

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

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

13 February 2008

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

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information regarding Profit Forest Limited ("Profit Forest"), for the period from 6 July 2007 (date of incorporation) to 30 November 2007 (the "Relevant Period I") (the "Financial Information"), for inclusion in the circular of Neptune Group Limited (the "Company") dated 13 February 2008 (the "Circular") in connection with the conditional sale and purchase agreement dated 16 November 2007 (the "Share Acquisition Agreement I") entered into between Stand Great Limited ("Stand Great"), a wholly-owned subsidiary of the Company, and Ultra Choice Limited ("Ultra Choice") pursuant to which Stand Great would acquire 85% of the total issued share capital of Profit Forest from Ultra Choice at an aggregate consideration of HK$1,144,440,000 (the "Consideration I") (collectively refer as "Acquisition I"). The Consideration I for 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 I and paying HK$57,440,000 in cash to Ultra Choice upon completion; (2) procuring the Company to issue convertible bond in a principal amount of HK$846,000,000 to Ultra Choice upon completion; and (3) procuring the Company to allot and issue consideration shares at an issue price of HK$0.30 per shares, credited as fully paid for the balance of the consideration in a sum of HK$216,000,000 to Ultra Choice upon completion.

On 16 November 2007, Profit Forest entered into an agreement (the "Hao Cai Profit Agreement") with Hao Cai Sociedade Unipessoal Limitada ("Hao Cai") and Ms. Lei In Peng ("Ms. Lei") who is the sole shareholder of Hao Cai. Hao Cai is engaged in the junket business, pursuant to the Hao Cai Profit Agreement, 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 profit (the "Hao Cai Profit") at a consideration of HK$1.00.

Profit Forest is a company incorporated in the British Virgin Islands with limited liability on 6 July 2007. The principal activity of Profit Forest is investment holding. Profit Forest is wholly owned by Ultra Choice. At 30 November 2007, the major asset of Profit Forest is Hao Cai Profit Agreement.

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

BASIS OF PREPARATION

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

DIRECTOR'S RESPONSIBILITY FOR THE FINANCIAL INFORMATION

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

REPORTING ACCOUNTANTS' RESPONSIBILITY

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

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

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

OPINION

In our opinion, for the purpose of this report, the Financial Information gives true and fair views of the state of affairs of Profit Forest as at 30 November 2007 and of the results and cash flows of Profit Forest for the Relevant Period I in accordance with Hong Kong Financial Reporting Standards.

MATERIAL UNCERTAINTY CONCERNING GOING CONCERN BASIS OF ACCOUNTING

Without qualifying our opinion, we draw attention to Note 2 in the Financial Information which indicates that Profit Forest incurred accumulated losses of HK$6,162 and net liabilities of HK$5,382 as at 30 November 2007. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty which may cast significant doubt about Profit Forest's ability to continue as a going concern.

A. FINANCIAL INFORMATION OF PROFIT FOREST

Balance Sheet

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

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

Income Statement

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

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

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

Statement of Changes in Equity

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

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

Cash Flow Statement

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

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

Notes to Financial Information

1. GENERAL INFORMATION

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

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

(a) Foreign currencies translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

(b) Taxation

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

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

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

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

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

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

(c) Related party transactions

Parties are considered to be related to Profit Forest if:

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

(b) the party is an associate;

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

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

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

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

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

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

(d) Provisions

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

(e) Contingent liabilities and contingent assets

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

(f) Impairment losses (other than goodwill)

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

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

(g) Segment reporting

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

3. FINANCIAL RISK MANAGEMENT

(a) Financial risk management objectives and policies

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

Market risk

(i) Foreign exchange risk

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

(ii) Price risk

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

Credit risk

Profit Forest is not exposed to significant credit risk.

Liquidity risk

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

Cash flow and fair value interest rate risk

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

(b) Capital risk management

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

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

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

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

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

4. CRITICAL ACCOUNTING ESTIMATE AND JUDGEMENTS

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

Critical accounting estimates and assumptions

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

(i) Impairment of intangible asset

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

5. INTANGIBLE ASSET

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

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

6. SHARE CAPITAL

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

7. AMOUNT DUE TO DIRECTOR

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

8. TURNOVER AND SEGMENT INFORMATION

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

9. LOSS FROM OPERATING ACTIVITIES

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

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

10. TAXATION

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

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

11. LOSS PER SHARE

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

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

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

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

12. EMPLOYEE BENEFITS EXPENSES

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

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

(b) Employees' emolument

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

13. CONTINGENT LIABILITIES AND CAPITAL COMMITMENT

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

14. SUBSEQUENT EVENTS

No significant events took place subsequent to 30 November 2007.

B. SUBSEQUENT FINANCIAL STATEMENTS

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

Yours faithfully,
HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants
Hong Kong

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

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

13 February 2008

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

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information regarding Sky Advantage Limited ("Sky Advantage"), for the period from 18 September 2007 (date of incorporation) to 30 November 2007 (the "Relevant Period II") (the "Financial Information"), for inclusion in the circular of Neptune Group Limited (the "Company") dated 13 February 2008 (the "Circular") in connection with the conditional sale and purchase agreement dated 16 November 2007 (the "Share Acquisition Agreement II") entered into between Hero Will Limited ("Hero Will"), a wholly-owned subsidiary of the Company, and Faith Mount Limited ("Faith Mount") pursuant to which Hero Will would acquire 85% of the total issued share capital of Sky Advantage from Faith Mount at an aggregate consideration of HK$381,480,000 (the "Consideration II") (collectively refer as "Acquisition II"). The Consideration II for Acquisition II shall be satisfied by Hero Will (1) paying a refundable deposit in a sum of HK$10,000,000 on the date of the Share Acquisition Agreement II and paying HK$17,480,000 in cash to Faith Mount upon completion; (2) procuring the Company to issue convertible bond in a principal amount of HK$138,000,000 to Faith Mount upon completion; and (3) procuring the Company to allot and issue consideration shares at an issue price of HK$0.30 per shares, credited as fully paid for the balance of the consideration in a sum of HK$216,000,000 to Faith Mount upon completion.

On 16 November 2007, Sky Advantage entered into an agreement (the "Neptune Ouro Profit Agreement") with Neptune Ouro Sociedade Unipessoal Limitada ("Neptune Ouro") and Ms. Luu Muoi Heng ("Ms. Luu") who is the sole shareholder of Neptune Ouro. Neptune Ouro is engaged in the junket business, pursuant to the Neptune Ouro Profit Agreement, 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 profit (the "Neptune Ouro Profit") at a consideration of HK$1.00.

Sky Advantage is a company incorporated in the British Virgin Islands with limited liability on 18 September 2007. The principal activity of Sky Advantage is investment holding. Sky Advantage is wholly owned by Faith Mount. At 30 November 2007, the major asset of Sky Advantage is Neptune Ouro Profit Agreement.

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

BASIS OF PREPARATION

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

DIRECTOR'S RESPONSIBILITY FOR THE FINANCIAL INFORMATION

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

REPORTING ACCOUNTANTS' RESPONSIBILITY

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

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

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

OPINION

In our opinion, for the purpose of this report, the Financial Information gives true and fair views of the state of affairs of Sky Advantage as at 30 November 2007 and of the results and cash flows of Sky Advantage for the Relevant Period II in accordance with Hong Kong Financial Reporting Standards.

MATERIAL UNCERTAINTY CONCERNING GOING CONCERN BASIS OF ACCOUNTING

Without qualifying our opinion, we draw attention to Note 2 in the Financial Information II which indicates that Sky Advantage incurred accumulated losses of HK$6,162 and net liabilities of HK$5,382 as at 30 November 2007. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty which may cast significant doubt about Sky Advantage's ability to continue as a going concern.

A. FINANCIAL INFORMATION OF SKY ADVANTAGE

Balance Sheet

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

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

Income Statement

	Notes	For the period from 18 September 2007 (date of incorporation) to 30 November 2007 HK$
Turnover	*8*	–
Administrative expenses		(6,162)
Loss from operating activities	*9*	(6,162)
Taxation	*10*	–
Loss for the period		(6,162)
Attributable to:		
Equity holder of Sky Advantage		(6,162)
Loss per share	*11*	
Basic and diluted		(62)

All of Sky Advantage's operation is classed as continuing.

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

Statement of Changes in Equity

	Share Capital *HK$*	Accumulated Loss *HK$*	Total *HK$*
At 18 September 2007	780	–	780
Loss for the period	–	(6,162)	(6,162)
At 30 November 2007	780	(6,162)	(5,382)

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

Cash Flow Statement

	For the period from 18 September 2007 (date of incorporation) to 30 November 2007 *HK$*
Cash flows from operating activities	
Loss before taxation	(6,162)
Operating loss before movements in working capital	(6,162)
Increase in amount due to director	5,383
Net cash used in operating activities	(779)
Cash flows from investing activities	
Payment to acquire an intangible asset	(1)
Net cash used in investing activities	(1)
Cash flows from financing activities	
Issue of shares	780
Net cash generated from financing activities	780
Increase in cash and cash equivalents	–
Cash and cash equivalents at the beginning of the period	–
Cash and cash equivalents at the end of the period	–
Analysis of the balances of cash and cash equivalents	
Cash and bank balances	–

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

Notes to Financial Information

1. GENERAL INFORMATION

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

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

(a) Foreign currencies translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

(b) Taxation

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

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

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

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

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

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

(c) Related party transactions

Parties are considered to be related to Sky Advantage if:

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

(b) the party is an associate;

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

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

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

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

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

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

(d) Provisions

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

(e) Contingent liabilities and contingent assets

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

(f) Impairment losses (other than goodwill)

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

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

(g) Segment reporting

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

3. FINANCIAL RISK MANAGEMENT

(a) Financial risk management objectives and policies

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

Market risk

(i) Foreign exchange risk

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

(ii) Price risk

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

Credit risk

Sky Advantage is not exposed to significant credit risk.

Liquidity risk

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

Cash flow and fair value interest rate risk

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

(b) Capital risk management

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

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

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

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

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

4. CRITICAL ACCOUNTING ESTIMATE AND JUDGEMENTS

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

Critical accounting estimates and assumptions

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

(i) Impairment of intangible asset

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

5. INTANGIBLE ASSET

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

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

6. SHARE CAPITAL

	Number of shares	Share capital	
		US$	*HK$*
Authorised:			
Ordinary shares at par value	50,000	–	–
Issued and fully paid:			
At 18 September 2007 and 30 November 2007	100	100	780

7. AMOUNT DUE TO DIRECTOR

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

8. TURNOVER AND SEGMENT INFORMATION

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

9. LOSS FROM OPERATING ACTIVITIES

No director's emoluments were paid by Sky Advantage during the Relevant Period II.

No auditors' remuneration and employees' emoluments were paid by Sky Advantage during the Relevant Period II.

10. TAXATION

No provision for profits tax has been made as Sky Advantage has no assessable profit subject to taxation for the Relevant Period II.

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

11. LOSS PER SHARE

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

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

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

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

12. EMPLOYEE BENEFITS EXPENSES

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

	Fee	Salaries, allowance and bonus	Total
	HK$	*HK$*	*HK$*
Luu Muoi Heng (appointed on 8 November 2007)	–	–	–

(b) Employees' emolument

No staff was employed by Sky Advantage during the Relevant Period II.

13. CONTINGENT LIABILITIES AND CAPITAL COMMITMENT

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

14. SUBSEQUENT EVENTS

No significant events took place subsequent to 30 November 2007.

B. SUBSEQUENT FINANCIAL STATEMENTS

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

Yours faithfully,
HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants
Hong Kong

A. SUMMARY OF FINANCIAL INFORMATION

Consolidated Income Statement

For the year ended 30 June 2007

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

Consolidated Balance Sheet
At 30 June 2007

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

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

B. AUDITED FINANCIAL STATEMENTS

Consolidated Income Statement

For the year ended 30 June 2007

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

Consolidated Balance Sheet
At 30 June 2007

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

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

Balance Sheet
At 30 June 2007

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

Consolidated Statement of Changes in Equity

For the year ended 30 June 2007

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

Consolidated Cash Flow Statement

For the year ended 30 June 2007

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

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

Notes to Financial Statements

For the year ended 30 June 2007

1. CORPORATE INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

(a) Basis of consolidation

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

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

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

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

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

(b) Business combinations

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

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

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

(c) Goodwill

Goodwill arising on acquisitions prior to 1 January 2005

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

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

Goodwill arising on acquisitions on or after 1 January 2005

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

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

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

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

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

(d) Subsidiaries

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

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

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

(e) Recognition of revenue

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

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

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

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

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

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

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

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

(f) Property, plant and equipment

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

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

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

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

(g) Investment properties

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

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

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

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

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

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

Changes in fair values are recognised in the income statement.

(h) Leases

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

The Group as lessor

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

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

The Group as lessee

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

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

(i) Intangible assets

Development costs

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

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

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

Impairment

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

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

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

(j) Financial instruments

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

Financial assets

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

Financial assets at fair value through profit or loss

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

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

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

Loans and receivables

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

Held-to-maturity investments

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

Available-for-sale financial assets

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

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

Financial liabilities and equity

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

Financial liabilities at fair value through profit or loss

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

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

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

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

Other financial liabilities

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

Convertible loan notes

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

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

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

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

Equity instruments

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

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

Derivative financial instruments and hedging

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

Embedded derivatives

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

Derecognition

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

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

(k) Interest-bearing bank borrowings

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

(l) Inventories

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

(m) Construction contracts

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

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

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

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

(n) Impairment of assets

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

(o) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

(iii) Group companies

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

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

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

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

(p) Taxation

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

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

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

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

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

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

(q) Related party transactions

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

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

(r) Cash and cash equivalents

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

(s) Provisions

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

(t) Contingent liabilities and contingent assets

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

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

(u) Retirement benefits scheme

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

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

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

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

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

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

(v) Borrowing costs

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

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

(w) Segment reporting

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

4. FINANCIAL RISK MANAGEMENT

Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

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

(ii) Price risk

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

(b) Credit risk

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

(c) Liquidity risk

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

(d) Cash flow and fair value interest rate risk

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

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

Fair value estimation

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

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

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

Critical accounting estimates and assumptions

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

(i) Estimate impairment of goodwill

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

(ii) Impairment of assets

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

(iii) Measurement of convertible notes

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

(iv) Estimate of fair value of investment properties

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

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

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

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

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

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

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

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

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

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

(vi) Net realisable value of inventories

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

6. SEGMENT INFORMATION

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

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

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

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

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

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

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

(a) Business segments

THE GROUP

2007

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

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

THE GROUP

2006

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

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

(b) Geographical segments

THE GROUP

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

7. TURNOVER AND OTHER REVENUE

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

8. PROFIT FROM OPERATING ACTIVITIES

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

	2007	2006
	HK$'000	*HK$'000*
Amortisation of development costs	–	330
Amortisation of prepaid land premiums	64	71
Auditors' remuneration	753	723
Depreciation of property, plant and equipment	18,319	15,503
Loss on disposal of property, plant and equipment	–	198
Operating lease charges in respect of land and buildings	1,007	628
Salaries and other benefits	13,059	10,887
Equity-settled share-based payments expenses	2,058	–
Mandatory provident fund contributions	537	468
Total staff costs	15,654	11,355
Consultancy fee paid by share-based payments	3,828	–
Impairment loss recognised on obsolescence of inventories	963	203
Impairment loss recognised in respect of trade receivables	776	–
Impairment loss recognised in respect of other receivables	477	264
Written off on trade receivables	13	–
Cost of inventories	54,141	41,587

and after crediting:

	2007	2006
Other income:		
Fair value gain on investment properties	150	700
Fair value gain on financial assets at fair value through profit or loss	1,215	155
Gain on disposal of property, plant and equipment	–	40
Gain on disposal of a subsidiary	–	53
	1,365	948

9. FINANCE COSTS

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

10. DIRECTORS' REMUNERATION

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

THE GROUP

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

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

11. FIVE HIGHEST PAID EMPLOYEES

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

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

Their emoluments are within the following bands:

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

12. TAXATION

(a) Income tax expenses

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

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

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

THE GROUP – for the year ended 30 June 2007

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

THE GROUP – for the year ended 30 June 2006

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

(b) Deferred tax liabilities

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

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

13. DIVIDENDS

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

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

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

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

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

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

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

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

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

16. PROPERTY, PLANT AND EQUIPMENT

(a) THE GROUP

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

(b) THE COMPANY

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

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

17. INVESTMENT PROPERTIES

THE GROUP

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

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

The carrying amounts of investment properties shown above comprise:

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

18. PREPAID LAND PREMIUMS

THE GROUP

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

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

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

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

19. INTANGIBLE ASSETS

THE GROUP

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

20. GOODWILL

THE GROUP

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

Impairment test for goodwill

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

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

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

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

Key assumptions used for value-in-use calculations:

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

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

21. INTERESTS IN SUBSIDIARIES

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

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

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

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

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

* Companies audited by K. W. Lau CPA Limited

Subsidiaries not consolidated

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

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

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

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

22. INVENTORIES

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

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

23. TRADE AND OTHER RECEIVABLES

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

The movements of trade receivables were as follows:

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

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

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

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

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

Notes:

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

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

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

24. LOAN RECEIVABLES

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

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

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

25. AMOUNT DUE FROM A RELATED COMPANY

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

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

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

27. CONSTRUCTION CONTRACTS

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

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

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

28. SHARE CAPITAL

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

Notes:

(i) Conversion of convertible notes

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

(ii) Share consolidation

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

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

Share options

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

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

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

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

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

Fair value of share options and assumption

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

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

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

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

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

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

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

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

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

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

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

29. RESERVES

THE GROUP

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

THE COMPANY

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

30. BANK AND OTHER BORROWINGS

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

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

31. TRADE AND OTHER PAYABLES

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

Aging analysis of trade creditors is set out below:

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

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

32. DEPOSITS RECEIVED

THE GROUP AND THE COMPANY

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

33. CONVERTIBLE NOTES

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

Notes:

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

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

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

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

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

34. AMOUNT DUE TO A MINORITY SHAREHOLDER

THE GROUP

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

35. AMOUNT DUE TO A SUBSIDIARY

THE COMPANY

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

36. OPERATING LEASE COMMITMENTS

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

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

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

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

37. RETIREMENT BENEFITS SCHEME

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

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

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

38. MATERIAL RELATED PARTY TRANSACTIONS

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

Key management personnel remuneration

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

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

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

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

Notes:

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

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

39. DISPOSAL OF SUBSIDIARIES

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

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

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

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

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

40. CAPITAL COMMITMENT

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

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

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

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

-

41. CONTINGENT LIABILITIES

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

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

42. SUBSEQUENT EVENTS

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

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

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

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

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

43. COMPARATIVE FIGURES

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

44. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

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

C. STATEMENT OF INDEBTEDNESS

Borrowings

As at the close of business on 30 November 2007, being the Latest Practicable Date, the Enlarged Group had outstanding borrowings with carrying amounts of approximately HK$30 million, detail of which is set out below:

	HK$'000
Face value of Promissory Notes at issue date	30,000
Less: Fair value adjustment	(1,658)
Fair value of Promissory Notes at issue date	28,342
Imputed interest expenses	702
Carrying amount as at 30 November 2007	29,044

The principal amount of the Promissory Notes outstanding as at 30 November 2007 was HK$30 million. The Promissory Notes are interest-free, with the duration of one year and repayable on every 6 months.

By measuring this financial liability at amortised cost using effective interest rate method in accordance with HKAS 39, approximately HK$1.7 million as the fair value adjustment on the face value of Promissory Notes at issue date. The carrying amount of Promissory Notes as at 30 November 2007 included the imputed interest expenses of approximately HK0.7 million in addition to the fair value of Promissory Notes at issue date.

Contingencies

As at 30 November 2007, no leasehold land and buildings of the Enlarged Group were pledged to a bank for banking facilities. As at 30 November 2007, a subsidiary's bank deposit of approximately HK$68,000 had been pledged for a letter of guarantee.

Disclaimer

Save as aforesaid and apart from intra-group liabilities, as at the close of business on 30 November 2007, the Enlarged Group had no debt securities issued and outstanding, and authorised or otherwise created but unissued, term loans, distinguishing between guaranteed, unguaranteed, secured and unsecured, and guaranteed, unguaranteed, secured and unsecured bank borrowings including, bank loans and overdrafts or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credit, hire purchase or finance lease commitments, guarantees or other material contingent liabilities.

Save as aforesaid, the Directors confirm that there has been no material change to the indebtedness and contingent liabilities of the Enlarged Group since 30 June 2007 and up to the Latest Practicable Date.

D. WORKING CAPITAL STATEMENT

As at the Latest Practicable Date, after due and careful enquiry, the Directors are of the opinion that, in the absence of unforeseen circumstances and after taking into account the present internal financial resources of the Enlarged Group (including principally cash at bank and listed securities investment), the Enlarged Group will, immediately following the completion of the Acquisition, have sufficient working capital for at least 12 months from the date of this circular.

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

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

13 February 2008

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

Dear Sirs,

We report on the unaudited pro forma financial information of Neptune Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") and Profit Forest Limited ("Profit Forest") (together with the Group hereinafter referred to as the "Enlarged Group I") (the "Unaudited Pro Forma Financial Information") which has been prepared by the directors of the Company for illustrative purpose only, to provide information about how the proposed acquisition of 85% issued share capital of Profit Forest (the "Acquisition I"), might have affected the financial information presented for inclusion in Appendix III of the circular of the Company dated 13 February 2008 (the "Circular"). The basis of preparation for the Unaudited Pro Forma Financial Information on the Enlarged Group I is set out on page 165 to the Circular.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND REPORTING ACCOUNTANTS

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information on the Enlarged Group I in accordance with Rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion as required by Rule 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information on the Enlarged Group I and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information on the Enlarged Group I beyond that owned to those to whom those reports were addressed by us at the dates of their issue.

BASIS OF OPINION

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagement ("HKSIR") 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information on the Enlarged Group I with the directors of the Company. The engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information on the Enlarged Group I has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information on the Enlarged Group I as disclosed pursuant to Rule 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information on the Enlarged Group I is for illustrative purposes only, based on the judgments and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Enlarged Group I as at 30 June 2007 or any future date; or

- the financial results and cash flows of the Enlarged Group I for the year ended 30 June 2007 or for any future period.

OPINION

In our opinion:

- the Unaudited Pro Forma Financial Information on the Enlarged Group I has been properly compiled by the directors of the Company on the basis stated;

- such basis is consistent with the accounting policies of the Group; and

- the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information on the Enlarged Group I as disclosed pursuant to Rule 4.29(1) of the Listing Rules.

Yours faithfully,
HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants
Hong Kong

UNAUDITED PRO FORMA FINANCIAL INFORMATION ON THE ENLARGED GROUP I

Introduction

The Unaudited Pro Forma Financial Information on the Enlarged Group I has been prepared to illustrate the effect of Acquisition I.

The Unaudited Pro Forma Financial Information on the Enlarged Group I has been prepared in accordance with the Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of Acquisition I as if Acquisition I took place on 30 June 2007 for the consolidated balance sheet and on 1 July 2006 for the consolidated income statement and consolidated cash flow statement.

The unaudited pro forma consolidated balance sheet, unaudited pro forma consolidated income statement and unaudited pro forma cash flow statement of the Enlarged Group I is prepared based on the audited consolidated balance sheet of the Group as at 30 June 2007, the audited consolidated income statement and audited consolidated cash flow statement of the Group for the year ended 30 June 2007 as set out in Appendix III to the Circular, the audited balance sheet of Profit Forest as at 30 November 2007, the audited income statement and audited cash flow statement of Profit Forest for the period from 6 July 2007 (date of incorporation) to 30 November 2007 as set out in Appendix II to the Circular, after making pro forma adjustments relating to Acquisition I that are (i) directly attributable to the transaction; and (ii) factually supportable.

The accompanying Unaudited Pro Forma Financial Information on the Enlarged Group I has been prepared by the directors of the Company for illustrative purpose only and is based on a number of assumptions, estimates, uncertainties. Accordingly, the Unaudited Pro Forma Financial Information on the Enlarged Group I does not purport to describe the actual financial position of the Enlarged Group I that would have been attained has the Acquisition I been completed on 30 June 2007 and to describe the actual financial results and cash flows of the Enlarged Group I that would have been attained has the Acquisition I been completed on 1 July 2006, nor purport to predict the Enlarged Group I's future financial position or results of operations.

The Unaudited Pro Forma Financial Information on the Enlarged Group I should be read in conjunction with the Accountants' Report on the Profit Forest Limited as set out in Appendix II, the historical financial information on the Group as set out in Appendix III and other financial information included elsewhere in the Circular.

The Unaudited Pro Forma Financial Information on the Enlarged Group I has been prepared by the directors of the Company for illustrative purposes only and because of its nature, it may not give a true picture of financial position of the Enlarged Group I following completion of Acquisition I.

(I) Unaudited Pro Forma Consolidated Balance Sheet of the Enlarged Group I

The following is the unaudited pro forma consolidated balance sheet of the Enlarged Group I, assuming that Acquisition I has been completed on 30 June 2007. The information is based on the audited consolidated financial statements of the Group as at 30 June 2007 and the audited financial information of Profit Forest as at 30 November 2007 as set out in Appendices III and II to the Circular respectively. Such information is adjusted to reflect the effect of Acquisition I.

As the unaudited pro forma consolidated balance sheet of the Enlarged Group I has been prepared for illustrative purpose only and because of its nature, it may not give a true picture of the financial position of the Enlarged Group I as at the date to which it is made up to or at any future date.

	Audited Consolidated Balance Sheet of the Group as at 30 June 2007	Audited Balance Sheet of Profit Forest as at 30 November 2007	Sub-total	Pro forma adjustments		Unaudited Pro Forma Consolidated Balance Sheet of the Enlarged Group I as at 30 June 2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
ASSETS						
Non-current assets						
Property, plant and equipment	161,853	–	161,853			161,853
Investment property	28,550	–	28,550			28,550
Prepaid land premiums	2,579	–	2,579			2,579
Goodwill	45	–	45			45
Interest in a profit sharing agreement	–	–	–	1,360,005	2	1,360,005
	193,027	–	193,027			1,553,032
Current assets						
Inventories	17,310	–	17,310			17,310
Trade and other receivables	50,161	–	50,161			50,161
Loan receivables	28,000	–	28,000			28,000
Amount due from a related company	710	–	710			710
Financial assets at fair value through profit or loss	1,782	–	1,782			1,782
Pledged bank deposits	68	–	68			68
Cash at securities company	38,526	–	38,526			38,526
Cash and bank balances	122,840	–	122,840	(82,440)	*1(i)*	40,400
	259,397	–	259,397			176,957
Total assets	452,424	–	452,424			1,729,989

	Audited Consolidated Balance Sheet of the Group as at 30 June 2007	Audited Balance Sheet of Profit Forest as at 30 November 2007	Sub-total	Pro forma adjustments		Unaudited Pro Forma Consolidated Balance Sheet of the Enlarged Group I as at 30 June 2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
EQUITY						
Capital and reserves						
Share capital	287,953	1	287,954	143,999	*3*	431,953
Reserves	(7,345)	(6)	(7,351)	398,779	*4*	391,428
	280,608	(5)	280,603			823,381
Minority interest	15,588	–	15,588	204,000	*5*	219,588
Total equity	296,196	(5)	296,191			1,042,969
LIABILITIES						
Current liabilities						
Bank and other borrowings	374	–	374			374
Trade and other payables	41,258	–	41,258	5	*6*	41,263
Deposits received	81,813	–	81,813			81,813
Amount due to a minority shareholder	29,100	–	29,100			29,100
Amount due to a director	–	5	5	(5)	*6*	–
Tax payable	3,290	–	3,290			3,290
	155,835	5	155,840			155,840
Non-current liabilities						
Convertible bonds	–	–	–	463,924	*1(ii)*	463,924
Deferred tax liabilities	393	–	393	66,863	*7*	67,256
	393	–	393			531,180
Total liabilities	156,228	5	156,233			687,020
Total equity and liabilities	452,424	–	452,424			1,729,989,
Net current assets/(liabilities)	103,562	(5)	103,557			21,117
Total assets less current liabilities	296,589	(5)	296,584			1,574,149

(II) Unaudited Pro Forma Consolidated Income Statement of the Enlarged Group I

The following is the unaudited pro forma consolidated income statement of the Enlarged Group I, assuming that Acquisition I has been completed on 1 July 2006. The information is based on the audited consolidated financial statements of the Group for the year ended 30 June 2007 and the audited financial information of Profit Forest for the period from 6 July 2007 (date of incorporation) to 30 November 2007 as set out in Appendices III and II to the Circular respectively. Such information is adjusted to reflect the effect of Acquisition I.

As the unaudited pro forma consolidated income statement of the Enlarged Group I has been prepared for illustrative purpose only and because of its nature, it may not give a true picture of the results of the Enlarged Group I for the year ended to which it is made up to or for any future period.

	Audited Consolidated Income Statement of the Group for the year ended 30 June 2007	**Audited Income Statement of Profit Forest for the period from 6 July 2007 (date of incorporation) to 30 November 2007**	**Sub-total**	**Pro forma adjustments**		**Unaudited Pro Forma Consolidated Income Statement of the Enlarged Group I for the year ended 30 June 2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
Turnover	129,959	–	129,959			129,959
Cost of sales	(99,085)	–	(99,085)			(99,085)
Gross profit	30,874	–	30,874			30,874
Other revenue	4,952	–	4,952			4,952
Other income	1,365	–	1,365			1,365
Distribution costs	(1,347)	–	(1,347)			(1,347)
Negative goodwill	–	–	–	11,560	*4(iii)*	11,560
Administrative expenses	(17,995)	(6)	(18,001)			(18,001)
Equity-settled share-based payments expenses	(6,068)	–	(6,068)			(6,068)
Profit/(loss) from operating activities	11,781	(6)	11,775			23,335
Finance costs	(1,593)	–	(1,593)	(37,177)	*8*	(38,770)
Profit/(loss) before taxation	10,188	(6)	10,182			(15,435)
Taxation	(797)	–	(797)	5,025	*12*	(4,228)
Net profit/(loss) for the year/period	9,391	(6)	9,385			(11,207)

	Audited Consolidated Income Statement of the Group for the year ended 30 June 2007	Audited Income Statement of Profit Forest for the period from 6 July 2007 (date of incorporation) to 30 November 2007	Sub-total	Pro forma adjustments		Unaudited Pro Forma Consolidated Income Statement of the Enlarged Group I for the year ended 30 June 2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
Attributable to:						
The equity holders of the Company	4,645	(6)	4,639			(15,953)
Minority interest	4,746	–	4,746			4,746
	9,391	(6)	9,385			(11,207)
Earnings/(loss) per share contributable to the equity holders of the Company – Basic and diluted	0.34 cents	(6,162.00) cents			*9(i) & (ii)*	(0.77) cents

(III) Unaudited Pro Forma Consolidated Cash Flow Statement of the Enlarged Group I

The following is the unaudited pro forma consolidated cash flow statement of the Enlarged Group I, assuming that Acquisition I has been completed on 1 July 2006. The information is based on the audited consolidated financial statements of the Group for the year ended 30 June 2007, the audited financial statements of Profit Forest for the period from 6 July 2007 (date of incorporation) to 30 November 2007 as set out in Appendices III and II to the Circular respectively. Such information is adjusted to reflect the effect of Acquisition I.

As the unaudited pro forma consolidated cash flow statement of the Enlarged Group I has been prepared for illustrative purpose only and because of its nature, it may not give a true picture of the cash flows of the Enlarged Group I for the year ended to which it is made up to or for any future period.

	Audited Consolidated Cash Flow Statement of the Group for the year ended 30 June 2007	**Audited Cash Flow Statement of Profit Forest for the period from 6 July 2007 (date of incorporation) to 30 November 2007**	**Sub-total**	**Pro forma adjustments**		**Unaudited Pro Forma Consolidated Cash Flow Statement of the Enlarged Group I for the year ended 30 June 2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
Operating activities						
Profit/(loss) before taxation	10,188	(6)	10,182	(25,617)	*10*	(15,435)
Adjustments for:						
Interest income	(4,678)	–	(4,678)			(4,678)
Dividend income	(3)	–	(3)			(3)
Equity-settled share-based payments expenses	6,068	–	6,068			6,068
Fair value gain on financial assets at fair value through profit or loss	(1,215)	–	(1,215)			(1,215)
Fair value gain on investment properties	(150)	–	(150)			(150)
Negative goodwill	–	–	–	(11,560)	*4(iii)*	(11,560)
Amortisation	64	–	64			64
Depreciation	18,319	–	18,319			18,319
Finance costs	1,593	–	1,593	37,177	*8*	38,770
Impairment loss recognised on obsolescence of inventories	963	–	963			963
Impairment loss recognised in respect of trade receivables	776	–	776			776
Impairment loss recognised in respect of other receivables	477	–	477			477
Written off on trade receivables	13	–	13			13

	Audited Consolidated Cash Flow Statement of the Group for the year ended 30 June 2007	Audited Cash Flow Statement of Profit Forest for the period from 6 July 2007 (date of incorporation) to 30 November 2007	Sub-total	Pro forma adjustments	Notes	Unaudited Pro Forma Consolidated Cash Flow Statement of the Enlarged Group I for the year ended 30 June 2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
Operating profit/(loss) before working capital changes	32,415	(6)	32,409			32,409
Increase in inventories	(955)	–	(955)			(955)
Increase in trade and other receivables	(16,742)	–	(16,742)			(16,742)
Increase in loan receivables	(28,000)	–	(28,000)			(28,000)
Increase in amount due to a director	–	5	5	(5)	*6*	–
Increase in trade and other payables	2,193	–	2,193	5	*6*	2,198
Cash used in operations	(11,089)	(1)	(11,090)			(11,090)
Interest received	3,366	–	3,366			3,366
Hong Kong profits tax paid	(896)	–	(896)			(896)
Net cash outflow from operating activities	(8,619)	(1)	(8,620)			(8,620)
Cash flows from investing activities						
Payments to acquire property, plant and equipment	(300)	–	(300)			(300)
Dividend received	3	–	3			3
Decrease in pledged bank deposits	4,383	–	4,383			4,383
Payments to acquire a subsidiary	–	–	–	(82,440)	*1(i)*	(82,440)
Net cash inflow/(outflow) from investing activities	4,086	–	4,086			(78,354)
Cash flows from financing activities						
Deposits received from open offer	81,813	–	81,813			81,813
Issue of shares	–	1	1	(1)	*3(ii)*	–
Repayment of loans	(1,564)	–	(1,564)			(1,564)
Finance costs paid	(989)	–	(989)	(8,460)	*11*	(9,449)
Net cash inflow from financing activities	79,260	1	79,261			70,800

	Audited Consolidated Cash Flow Statement of the Group for the year ended 30 June 2007	Audited Cash Flow Statement of Profit Forest for the period from 6 July 2007 (date of incorporation) to 30 November 2007	Sub-total	Pro forma adjustments	Notes	Unaudited Pro Forma Consolidated Cash Flow Statement of the Enlarged Group I for the year ended 30 June 2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
Net increase/(decrease) in cash and cash equivalents	74,727	–	74,727			(16,174)
Cash and cash equivalents at the beginning of the year/period	86,265	–	86,265			86,265
Cash and cash equivalents at the end of the year/period	160,992	–	160,992			70,091
Analysis of balances of cash and cash equivalents						
Cash and bank balances	122,840	–	122,840			31,939
Cash at securities company	38,526	–	38,526			38,526
Bank overdrafts	(374)	–	(374)			(374)
	160,992	–	160,992			70,091

(IV) Notes to the unaudited Pro Forma Financial Information on the Enlarged Group I

Under HKFRS 3 Business Combinations ("HKFRS 3"), the Company will apply the purchase method to account for Acquisition I. In applying the purchase method, the identifiable assets, liabilities and contingent liabilities of Profit Forest will be recorded on the consolidated balance sheet of the Company at their fair values at the date of completion. Any goodwill or discount arising on Acquisition I will be determined as the excess or deficit of the purchase price to be incurred by the Company over the Company's interests in the net fair value of the identifiable assets, liabilities and contingent liabilities of Profit Forest at the date of completion. Negative goodwill resulting from the business combinations should be recognised immediately in the consolidated income statement.

The adjustments reflected the following:

1. The consideration for Acquisition I to be satisfied by Stand Great Limited is approximately HK$1,144,440,000. The consideration is to be satisfied by:

	HK$'000
Cash consideration *(Note 1(i))*	82,440
Convertible bonds (the "Convertible Bond I") *(Note 1(ii))*	846,000
Consideration shares (the "Consideration Share I") *(Note 1(iii))*	216,000
	1,144,440

(i) The cash consideration would be settled by Stand Great Limited, (1) paying a refundable deposit in a sum of HK$25,000,000 to Ultra Choice Limited and (2) paying HK$57,440,000 in cash assuming that Acquisition I had been completed on 30 June 2007. The cash consideration shall be funded by the Company's internal resources.

(ii) Assuming Convertible Bond I is issued on 30 June 2007, the Company has separated Convertible Bond I into liability and equity portions in accordance with Hong Kong Accounting Standards 32 "Financial Instrument: Disclosure and Presentation".

In preparing the Unaudited Pro Forma Financial Information on the Enlarged Group I, the face value of Convertible Bond I of HK$846,000,000 has taken to be its fair value as if it was issued upon completion of Acquisition I. The adjustment of approximately HK$463,924,000 represents the liability portion of Convertible Bond I based on the calculation of the discounted cash flow method. The Company has taken the prime rate of 7.5% p.a. as at 30 June 2007 as the discount rate for the calculation of the liability portion of Convertible Bond I. Please refer to the following for the details of the liability and equity portions of Convertible Bond I.

	HK$'000
Liability portion	
– Non-current liabilities	463,924
– Deferred tax liabilities *(Note 7)*	66,863
	530,787
Equity portion *(Note 4(ii))*	315,213
	846,000

(iii) Assuming the issue price of HK$0.30 per share was the fair value of the Company as at 30 June 2007, HK$216,000,000 would be satisfied by procuring the Company to allot and issue the Consideration Share I. Upon the completion of Acquisition I, the share capital and share premium of the Company will increase by approximately HK$144,000,000 and $72,000,000 respectively.

2. The pro forma adjustment of HK$1,360,005,000 represents the fair value adjustments of the interest in a profit sharing agreement over the carrying amounts as at 30 November 2007, as if Acquisition I was completed on 30 June 2007.

   The fair values of these assets as at 30 June 2007 are determined with reference to valuation at 30 June 2007 carried out by BMI Appraisal Limited, an independent qualified professional valuers not connected to the Enlarged Group I.

   According to the valuation information provided by BMI Appraisal Limited, the valuation of the interest in a profit sharing agreement is based on the market approach.

3. The pro forma adjustment of HK$143,999,000 represents the sum of the following:

   (i) Assuming the issuance of 720,000,000 Consideration Share I at par value of HK$0.2 by the Company, the share capital of the Company would increase approximately by HK$144,000,000.

   (ii) The adjustment of approximately HK$1,000 represents the elimination of the share capital of Profit Forest upon the consolidation of the Unaudited Pro Forma Financial Information on the Enlarged Group I.

4. The pro forma adjustment of approximately HK$398,779,000 represents the net effect of elimination of the pre-acquisition reserves, share premium arising from the issuance of Consideration Share I and the equity component of Convertible Bond I. Details are set out as follows:

	HK$'000
Elimination of pre-acquisition reserves	
– Accumulated loss	6
Share premium *(Note 4(i))*	72,000
Convertible Bond I *(Note 4(ii))*	315,213
Negative goodwill arising from Acquisition I *(Note 4(iii))*	11,560
	398,779

   (i) Assuming the issue price of HK$0.3 was the fair value of the share of the Company at 30 June 2007, share premium of approximately HK$72,000,000 was recorded in the reserves resulting from the issuance of the Consideration Share I, as described in Note 1(iii) above.

   (ii) The equity components of the Convertible Bond I were approximately HK$315,213,000. Please also refer to Note 1(ii) for the details of the Convertible Bond I.

   (iii) The negative goodwill arising from Acquisition I was calculated on the basis of the excess of the consideration paid over the net fair value of the identifiable assets, liabilities and contingent liabilities of Profit Forest. Details are set out as follows:

	HK$'000
The consideration	1,144,440
Less: Fair value of 85% interest in the net asset value in Profit Forest	(1,156,000)
Negative goodwill arising from Acquisition I	(11,560)

Note:

Net book value of Profit Forest as at 30 November 2007	(5)
Fair value adjustments on a profit sharing agreement *(Note 2)*	1,360,005
Net assets value of Profit Forest at fair value as at 30 November 2007	1,360,000
Equity interest to be acquired	85%
Fair value of 85% interest in Profit Forest	1,156,000

5. The pro forma adjustment represents minority interest of approximately HK$204,000,000 as Ultra Choice Limited would become a minority shareholder having 15% equity interest in Profit Forest upon completion of Acquisition I.

6. The pro forma adjustment of approximately HK$5,000 represents re-allocation of amount due to a director of Profit Forest to other payable on consolidation.

7. The pro forma adjustment represents deferred tax liabilities of approximately HK$66,863,000 arising from Convertible Bond I. Please also refer to Note 1 (ii) for the details of the Convertible Bond I.

8. The pro forma adjustment of approximately HK$37,177,000 represents an annual finance cost of imputed interest expenses of Convertible Bond I to be expensed in the consolidated income statement of the Enlarged Group I with the imputed interest rate of 8% for the year ended 30 June 2007. These interest expenses shall have continuing effect on the financial statements of the Enlarged Group I in subsequent years.

9(i). The calculation of pro forma basic loss per share is based on the Enlarged Group I's pro forma net loss attributable to the equity holders of the Company of HK$15,953,000 and the number of ordinary shares of 2,075,927,000 of the Enlarged Group I upon the completion of Acquisition I.

The number of ordinary shares of 2,075,927,000 is derived from:

	HK$'000
Audited weighted average number of ordinary shares for the year ended 30 June 2007	1,355,927
Pro forma adjustment for ordinary shares issued as part of acquisition of 85% issued shares	720,000
Unaudited pro forma weighted average number of ordinary shares for the year ended 30 June 2007	2,075,927

9(ii). By assuming the Convertible Bond I was converted into ordinary shares on 1 July 2006, the Convertible Bond I was anti-dilutive because its interest per ordinary share obtainable on conversion exceeds basis loss per share.

10. The pro forma adjustment to the consolidated cash flow statement of approximately HK$25,617,000 represents the recognition of the finance cost of approximately HK$37,177,000 and negative goodwill of approximately HK$11,560,000 for the purpose of adjusting the profit before taxation.

11. The pro forma adjustment of HK$8,460,000 represents the actual payments of interests for Convertible Bond I with a coupon rate of 1% for the year ended 30 June 2007.

12. The pro forma adjustment of approximately HK$5,025,000 represents the adjustment of the deferred tax effect of Convertible Bond I for the year ended 30 June 2007.

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Chartered Accountants
Certified Public Accountants

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11 Pedder Street
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13 February 2008

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

Dear Sirs,

We report on the unaudited pro forma financial information of Neptune Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") and Sky Advantage Limited ("Sky Advantage") (together with the Group hereinafter referred to as the "Enlarged Group II") (the "Unaudited Pro Forma Financial Information") which has been prepared by the directors of the Company for illustrative purpose only, to provide information about how the proposed acquisition of 85% issued share capital of Sky Advantage (the "Acquisition II"), might have affected the financial information presented for inclusion in Appendix III of the circular of the Company dated 13 February 2008 (the "Circular"). The basis of preparation for the Unaudited Pro Forma Financial Information on the Enlarged Group II is set out on page 179 to the Circular.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND REPORTING ACCOUNTANTS

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information on the Enlarged Group II in accordance with Rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion as required by Rule 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information on the Enlarged Group II and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information on the Enlarged Group II beyond that owned to those to whom those reports were addressed by us at the dates of their issue.

BASIS OF OPINION

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagement ("HKSIR") 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information on the Enlarged Group II with the directors of the Company. The engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information on the Enlarged Group II has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information on the Enlarged Group II as disclosed pursuant to Rule 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information on the Enlarged Group II is for illustrative purposes only, based on the judgments and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Enlarged Group II as at 30 June 2007 or any future date; or

- the financial results and cash flows of the Enlarged Group II for the year ended 30 June 2007 or for any future period.

OPINION

In our opinion:

- the Unaudited Pro Forma Financial Information on the Enlarged Group II has been properly compiled by the directors of the Company on the basis stated;

- such basis is consistent with the accounting policies of the Group; and

- the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information on the Enlarged Group II as disclosed pursuant to Rule 4.29(1) of the Listing Rules.

Yours faithfully,
HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants
Hong Kong

UNAUDITED PRO FORMA FINANCIAL INFORMATION ON THE ENLARGED GROUP II

Introduction

The Unaudited Pro Forma Financial Information on the Enlarged Group II has been prepared to illustrate the effect of Acquisition II.

The Unaudited Pro Forma Financial Information on the Enlarged Group II has been prepared in accordance with the Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of Acquisition II as if Acquisition II took place on 30 June 2007 for the consolidated balance sheet and on 1 July 2006 for the consolidated income statement and consolidated cash flow statement.

The unaudited pro forma consolidated balance sheet, unaudited pro forma consolidated income statement and unaudited pro forma cash flow statement of the Enlarged Group II is prepared based on the audited consolidated balance sheet of the Group as at 30 June 2007, the audited consolidated income statement and audited consolidated cash flow statement of the Group for the year ended 30 June 2007 as set out in Appendix III to the Circular, the audited balance sheet of Sky Advantage as at 30 November 2007, the audited income statement and audited cash flow statement of Sky Advantage for the period from 18 September 2007 (date of incorporation) to 30 November 2007 as set out in Appendix II to the Circular, after making pro forma adjustments relating to Acquisition II that are (i) directly attributable to the transaction; and (ii) factually supportable.

The accompanying Unaudited Pro Forma Financial Information on the Enlarged Group II has been prepared by the directors of the Company for illustrative purpose only and is based on a number of assumptions, estimates, uncertainties. Accordingly, the Unaudited Pro Forma Financial Information on the Enlarged Group II does not purport to describe the actual financial position of the Enlarged Group II that would have been attained has the Acquisition II been completed on 30 June 2007 and to describe the actual financial results and cash flows of the Enlarged Group II that would have been attained has the Acquisition II been completed on 1 July 2006, nor purport to predict the Enlarged Group II's future financial position or results of operations.

The Unaudited Pro Forma Financial Information on the Enlarged Group II should be read in conjunction with the Accountants' Report on the Sky Advantage Limited as set out in Appendix II, the historical financial information on the Group as set out in Appendix III and other financial information included elsewhere in the Circular.

The Unaudited Pro Forma Financial Information on the Enlarged Group II has been prepared by the directors of the Company for illustrative purposes only and because of its nature, it may not give a true picture of financial position of the Enlarged Group II following completion of Acquisition II.

(I) Unaudited Pro Forma Consolidated Balance Sheet of the Enlarged Group II

The following is the unaudited pro forma consolidated balance sheet of the Enlarged Group II, assuming that Acquisition II has been completed on 30 June 2007. The information is based on the audited consolidated financial statements of the Group as at 30 June 2007 and the audited financial information of Sky Advantage as at 30 November 2007 as set out in Appendices III and II to the Circular respectively. Such information is adjusted to reflect the effect of Acquisition II.

As the unaudited pro forma consolidated balance sheet of the Enlarged Group II has been prepared for illustrative purpose only and because of its nature, it may not give a true picture of the financial position of the Enlarged Group II as at the date to which it is made up to or at any future date.

	Audited Consolidated Balance Sheet of the Group as at 30 June 2007	**Audited Balance Sheet of Sky Advantage as at 30 November 2007**	**Sub-total**	**Pro forma adjustments**		**Unaudited Pro Forma Consolidated Balance Sheet of the Enlarged Group II as at 30 June 2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
ASSETS						
Non-current assets						
Property, plant and equipment	161,853	–	161,853			161,853
Investment property	28,550	–	28,550			28,550
Prepaid land premiums	2,579	–	2,579			2,579
Goodwill	45	–	45			45
Interest in a profit sharing agreement	–	–	–	450,005	*2*	450,005
	193,027	–	193,027			643,032
Current assets						
Inventories	17,310	–	17,310			17,310
Trade and other receivables	50,161	–	50,161			50,161
Loan receivables	28,000	–	28,000			28,000
Amount due from a related company	710	–	710			710
Financial assets at fair value through profit or loss	1,782	–	1,782			1,782
Pledged bank deposits	68	–	68			68
Cash at securities company	38,526	–	38,526			38,526
Cash and bank balances	122,840	–	122,840	(27,480)	*1(i)*	95,360
	259,397	–	259,397			231,917
Total assets	452,424	–	452,424			874,949

	Audited Consolidated Balance Sheet of the Group as at 30 June 2007	Audited Balance Sheet of Sky Advantage as at 30 November 2007	Sub-total	Pro forma adjustments	Notes	Unaudited Pro Forma Consolidated Balance Sheet of the Enlarged Group II as at 30 June 2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*		*HK$'000*
EQUITY						
Capital and reserves						
Share capital	287,953	1	287,954	143,999	*3*	431,953
Reserves	(7,345)	(6)	(7,351)	124,444	*4*	117,093
	280,608	(5)	280,603			549,046
Minority interest	15,588	–	15,588	67,500	*5*	83,088
Total equity	296,196	(5)	296,191			632,134
LIABILITIES						
Current liabilities						
Bank and other borrowings	374	–	374			374
Trade and other payables	41,258	–	41,258	5	*6*	41,263
Deposits received	81,813	–	81,813			81,813
Amount due to a minority shareholder	29,100	–	29,100			29,100
Amount due to a director	–	5	5	(5)	*6*	–
Tax payable	3,290	–	3,290			3,290
	155,835	5	155,840			155,840
Non-current liabilities						
Convertible bonds	–	–	–	75,676	*1(ii)*	75,676
Deferred tax liabilities	393	–	393	10,906	*7*	11,299
	393	–	393			86,975
Total liabilities	156,228	5	156,233			242,815
Total equity and liabilities	452,424	–	452,424			874,949
Net current assets/ (liabilities)	103,562	(5)	103,557			76,077
Total assets less current liabilities	296,589	(5)	296,584			719,109

(II) Unaudited Pro Forma Consolidated Income Statement of the Enlarged Group II

The following is the unaudited pro forma consolidated income statement of the Enlarged Group II, assuming that Acquisition II has been completed on 1 July 2006. The information is based on the audited consolidated financial statements of the Group for the year ended 30 June 2007 and the audited financial information of Sky Advantage for the period from 18 September 2007 (date of incorporation) to 30 November 2007 as set out in Appendices III and II to the Circular respectively. Such information is adjusted to reflect the effect of Acquisition II.

As the unaudited pro forma consolidated income statement of the Enlarged Group II has been prepared for illustrative purpose only and because of its nature, it may not give a true picture of the results of the Enlarged Group II for the year ended to which it is made up to or for any future period.

	Audited Consolidated Income Statement of the Group for the year ended 30 June 2007	**Audited Income Statement of Sky Advantage for the period from 18 September 2007 (date of incorporation) to 30 November 2007**	**Sub-total**	**Pro forma adjustments**		**Unaudited Pro Forma Consolidated Income Statement of the Enlarged Group II for the year ended 30 June 2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
Turnover	129,959	–	129,959			129,959
Cost of sales	(99,085)	–	(99,085)			(99,085)
Gross profit	30,874	–	30,874			30,874
Other revenue	4,952	–	4,952			4,952
Other income	1,365	–	1,365			1,365
Negative goodwill	–	–	–	1,020	*4(iii)*	1,020
Distribution costs	(1,347)	–	(1,347)			(1,347)
Administrative expenses	(17,995)	(6)	(18,001)			(18,001)
Equity-settled share-based payments expenses	(6,068)	–	(6,068)			(6,068)
Profit/(loss) from operating activities	11,781	(6)	11,775			12,795
Finance costs	(1,593)	–	(1,593)	(6,064)	*8*	(7,657)
Profit/(loss) before taxation	10,188	(6)	10,182			5,138
Taxation	(797)	–	(797)	820	*12*	23
Net profit/(loss) for the year/period	9,391	(6)	9,385			5,161

	Audited Consolidated Income Statement of the Group for the year ended 30 June 2007	Audited Income Statement of Sky Advantage for the period from 18 September 2007 (date of incorporation) to 30 November 2007	Sub-total	Pro forma adjustments	Notes	Unaudited Pro Forma Consolidated Income Statement of the Enlarged Group II for the year ended 30 June 2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
Attributable to:						
The equity holders of the Company	4,645	(6)	4,639			415
Minority interest	4,746	–	4,746			4,746
	9,391	(6)	9,385			5,161
Earnings/(loss) per share contributable to the equity holders of the Company – Basic and diluted	0.34 cents	(6,162.00) cents			*9(i) & (ii)*	0.02 cents

(III) Unaudited Pro Forma Consolidated Cash Flow Statement of the Enlarged Group II

The following is the unaudited pro forma consolidated cash flow statement of the Enlarged Group II, assuming that Acquisition II has been completed on 1 July 2006. The information is based on the audited consolidated financial statements of the Group for the year ended 30 June 2007, the audited financial statements of Sky Advantage for the period from 18 September 2007 (date of incorporation) to 30 November 2007 as set out in Appendices III and II to the Circular respectively. Such information is adjusted to reflect the effect of Acquisition II.

As the unaudited pro forma consolidated cash flow statement of the Enlarged Group II has been prepared for illustrative purpose only and because of its nature, it may not give a true picture of the cash flows of the Enlarged Group II for the year ended to which it is made up to or for any future period.

	Audited Consolidated Cash Flow Statement of the Group for the year ended 30 June 2007	Audited Cash Flow Statement of Sky Advantage for the period from 18 September 2007 (date of incorporation) to 30 November 2007	Sub-total	Pro forma adjustments		Unaudited Pro forma Consolidated Cash Flow Statement of the Enlarged Group II for the year ended 30 June 2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
Operating activities						
Profit/(loss) before taxation	10,188	(6)	10,182	(5,044)	*10*	5,138
Adjustments for:						
Interest income	(4,678)	–	(4,678)			(4,678)
Dividend income	(3)	–	(3)			(3)
Equity-settled share-based payments expenses	6,068	–	6,068			6,068
Fair value gain on financial assets at fair value through profit or loss	(1,215)	–	(1,215)			(1,215)
Fair value gain on investment properties	(150)	–	(150)			(150)
Negative goodwill	–	–	–	(1,020)	*4(iii)*	(1,020)
Amortisation	64	–	64			64
Depreciation	18,319	–	18,319			18,319
Finance costs	1,593	–	1,593	6,064	*8*	7,657
Impairment loss recognised on obsolescence of inventories	963	–	963			963
Impairment loss recognised in respect of trade receivables	776	–	776			776
Impairment loss recognised in respect of other receivables	477	–	477			477
Written off on trade receivables	13	–	13			13

	Audited Consolidated Cash Flow Statement of the Group for the year ended 30 June 2007 HK$'000	Audited Cash Flow Statement of Sky Advantage for the period from 18 September 2007 (date of incorporation) to 30 November 2007 HK$'000	Sub-total HK$'000	Pro forma adjustments HK$'000	Notes	Unaudited Pro forma Consolidated Cash Flow Statement of the Enlarged Group II for the year ended 30 June 2007 HK$'000
Operating profit/(loss) before working capital changes	32,415	(6)	32,409			32,409
Increase in inventories	(955)	–	(955)			(955)
Increase in trade and other receivables	(16,742)	–	(16,742)			(16,742)
Increase in loan receivables	(28,000)	–	(28,000)			(28,000)
Increase in amount due to a director	–	5	5	(5)	*6*	–
Increase in trade and other payables	2,193	–	2,193	5	*6*	2,198
Cash used in operations	(11,089)	(1)	(11,090)			(11,090)
Interest received	3,366	–	3,366			3,366
Hong Kong profits tax paid	(896)	–	(896)			(896)
Net cash outflow from operating activities	(8,619)	(1)	(8,620)			(8,620)
Cash flows from investing activities						
Payments to acquire property, plant and equipment	(300)	–	(300)			(300)
Dividend received	3	–	3			3
Decrease in pledged bank deposits	4,383	–	4,383			4,383
Payments to acquire a subsidiary	–	–	–	(27,480)	*1(i)*	(27,480)
Net cash inflow/(outflow) from investing activities	4,086	–	4,086			(23,394)
Cash flows from financing activities						
Deposits received from open offer	81,813	–	81,813			81,813
Issue of shares	–	1	1	(1)	*3(ii)*	–
Repayment of loans	(1,564)	–	(1,564)			(1,564)
Finance costs paid	(989)	–	(989)	(1,380)	*11*	(2,369)
Net cash inflow from financing activities	79,260	1	79,261			77,880

	Audited Consolidated Cash Flow Statement of the Group for the year ended 30 June 2007	Audited Cash Flow Statement of Sky Advantage for the period from 18 September 2007 (date of incorporation) to 30 November 2007	Sub-total	Pro forma adjustments		Unaudited Pro forma Consolidated Cash Flow Statement of the Enlarged Group II for the year ended 30 June 2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
Net increase in cash and cash equivalents	74,727	–	74,727			45,866
Cash and cash equivalents at the beginning of the year/period	86,265	–	86,265			86,265
Cash and cash equivalents at the end of the year/period	160,992	–	160,992			132,131
Analysis of balances of cash and cash equivalents						
Cash and bank balances	122,840	–	122,840			93,979
Cash at securities company	38,526	–	38,526			38,526
Bank overdrafts	(374)	–	(374)			(374)
	160,992	–	160,992			132,131

(IV) Notes to the Unaudited Pro Forma Financial Information on the Enlarged Group II

Under HKFRS 3 Business Combinations ("HKFRS 3"), the Company will apply the purchase method to account for Acquisition II. In applying the purchase method, the identifiable assets, liabilities and contingent liabilities of Sky Advantage will be recorded on the consolidated balance sheet of the Company at their fair values at the date of completion. Any goodwill or discount arising on the Acquisition II will be determined as the excess or deficit of the purchase price to be incurred by the Company over the Company's interests in the net fair value of the identifiable assets, liabilities and contingent liabilities of Sky Advantage at the date of completion. Negative goodwill resulting from the business combinations should be recognised immediately in the consolidated income statement.

The adjustments reflected the following:

1. The consideration for Acquisition II to be satisfied by Hero Will Limited is approximately HK$381,480,000. The consideration is to be satisfied by:

	HK$'000
Cash consideration *(Note 1(i))*	27,480
Convertible bonds (the "Convertible Bond II") *(Note 1(ii))*	138,000
Consideration shares (the "Consideration Share II") *(Note 1(iii))*	216,000
	381,480

(i) The cash consideration would be settled by Hero Will Limited, (1) paying a refundable deposit in a sum of HK$10,000,000 to Faith Mount Limited and (2) paying HK$17,480,000 in cash to Faith Mount assuming that Acquisition II had been completed on 30 June 2007. The cash consideration shall be funded by the Company's internal resources.

(ii) Assuming Convertible Bond II is issued on 30 June 2007, the Company has separated Convertible Bond II into liability and equity portions in accordance with Hong Kong Accounting Standards 32 "Financial Instrument: Disclosure and Presentation".

In preparing the Unaudited Pro Forma Financial Information on the Enlarged Group II, the face value of Convertible Bond II of HK$138,000,000 has taken to be its fair value as if it was issued upon completion of Acquisition II. The adjustment of approximately HK$75,676,000 represents the liability portion of Convertible Bond II based on the calculation of the discounted cash flow method. The Company has taken the prime rate of 7.5% p.a. as at 30 June 2007 as the discount rate for the calculation of the liability portion of Convertible Bond II. Please refer to the following for the details of the liability and equity portions of Convertible Bond II.

	HK$'000
Liability portion	
– Non-current liabilities	75,676
– Deferred tax liabilities *(Note 7)*	10,906
	86,582
Equity portion *(Note 4(ii))*	51,418
	138,000

(iii) Assuming the issue price of HK$0.30 per share was the fair value of the Company as at 30 June 2007, HK$216,000,000 would be satisfied by procuring the Company to allot and issue the Consideration Share II. Upon the completion of Acquisition II, the share capital and share premium of the Company will increase by approximately HK$144,000,000 and HK$72,000,000 respectively.

2. The pro forma adjustment of HK$450,005,000 represents the fair value adjustments of the interest in a profit sharing agreement over the carrying amounts as at 30 November 2007, as if Acquisition II was completed on 30 June 2007.

   The fair values of these assets as at 30 June 2007 are determined with reference to valuation at 30 June 2007 carried out by BMI Appraisal Limited, an independent qualified professional valuers not connected to the Enlarged Group II.

   According to the valuation information provided by BMI Appraisal Limited, the valuation of the interest in a profit sharing agreement is based on the market approach.

3. The pro forma adjustment of HK$143,999,000 represents the sum of the following:

   (i) Assuming the issuance of 720,000,000 Consideration Share II at par value of HK$0.2 by the Company, the share capital of the Company would increase approximately by HK$144,000,000.

   (ii) The adjustment of approximately HK$1,000 represents the elimination of the share capital of Sky Advantage upon the consolidation of the Unaudited Pro Forma Financial Information on the Enlarged Group II.

4. The pro forma adjustment of approximately HK$124,444,000, represents the net effect of elimination of the pre-acquisition reserves, share premium arising from the issuance of the Consideration Share II and the equity component of the Convertible Bond II. Details are set out as follows:

	HK$'000
Elimination of pre-acquisition reserves	
– Accumulated loss	6
Share premium *(Note 4(i))*	72,000
Convertible Bond II *(Note 4(ii))*	51,418
Negative goodwill arising from Acquisition II *(Note 4(iii))*	1,020
	124,444

   (i) Assuming the issue price of HK$0.3 was the fair value of the share of the Company at 30 June 2007, share premium of approximately HK$72,000,000 was recorded in the reserves resulting from the issuance of the Consideration Share II, as described in Note 1(iii) above.

   (ii) The equity components of the Convertible Bond II were approximately HK$51,418,000. Please also refer to Note 1(ii) for the details of the Convertible Bond II.

   (iii) The negative goodwill arising from Acquisition II was calculated on the basis of the excess of the consideration paid over the net fair value of the identifiable assets, liabilities and contingent liabilities of Sky Advantage. Details are set out as follows:

	HK$'000
The consideration	381,480
Less: Fair value of 85% interest in the net asset value in Sky Advantage	(382,500)
Negative goodwill arising from Acquisition II	(1,020)

Note:

Net book value of Sky Advantage as at 30 November 2007	(5)
Fair value adjustments on a profit sharing agreement *(Note 2)*	450,005
Net assets value of Sky Advantage at fair value as at 30 November 2007	450,000
Equity interest to be acquired	85%
Fair value of 85% interest in Sky Advantage	382,500

5. The pro forma adjustment represents minority interest of approximately HK$67,500,000 as Faith Mount Limited would become a minority shareholder having 15% equity interest in Sky Advantage upon completion of Acquisition II.

6. The pro forma adjustment of approximately HK$5,000 represents re-allocation of amount due to a director of Profit Forest to other payable on consolidation.

7. The pro forma adjustment represents deferred tax liabilities of approximately HK$10,906,000 arising from Convertible Bond II. Please also refer to Note 1(ii) for the details of the Convertible Bond II.

8. The pro forma adjustment of approximately HK$6,064,000 represents an annual finance cost of imputed interest expenses of Convertible Bond II to be expensed in the consolidated income statement of the Enlarged Group II with the imputed interest rate of 8% for the year ended 30 June 2007. These interest expenses shall have continuing effect on the financial statements of the Enlarged Group II in subsequent years.

9(i). The calculation of pro forma basic earnings per share is based on the Enlarged Group II's pro forma net profit attributable to the equity holders of the Company of HK$415,000 and the number of ordinary shares of 2,075,927,000 of the Enlarged Group II upon the completion of Acquisition II.

The number of ordinary shares of 2,075,927,000 is derived from:

	'000
Audited weighted average number of ordinary shares for the year ended 30 June 2007	1,355,927
Pro forma adjustment for ordinary shares issued as part of acquisition of 85% issued shares	720,000
Unaudited pro forma weighted average number of ordinary shares for the year ended 30 June 2007	2,075,927

9(ii). By assuming the Convertible Bond II was converted into ordinary shares on 1 July 2006, the Convertible Bond II was anti-dilutive because its interest per ordinary share obtainable on conversion exceeds basis loss per share.

10. The pro forma adjustment to the consolidated cash flow statement of approximately HK$5,044,000, represents the recognition of the finance cost of approximately HK$6,064,000 and negative goodwill of approximately HK$1,020,000 for the purpose of adjusting the profit before taxation.

11. The pro forma adjustment of HK$1,380,000 represents the actual payments of interests for Convertible Bond II with a coupon rate of 1% for the year ended 30 June 2007.

12. The pro forma adjustment of approximately HK$820,000 represents the adjustment of the deferred tax effect of Convertible Bond II for the year ended 30 June 2007.

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11 Pedder Street
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13 February 2008

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

Dear Sirs,

We report on the unaudited pro forma financial information of Neptune Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group"), Profit Forest Limited ("Profit Forest") and Sky Advantage Limited ("Sky Advantage") (together with the Group hereinafter referred to as the "Enlarged Group III") (the "Unaudited Pro Forma Financial Information") which has been prepared by the directors of the Company for illustrative purpose only, to provide information about how the proposed acquisition of 85% issued share capital of Profit Forest (the "Acquisition I") and the proposed acquisition of 85% issued share capital of Sky Advantage (the "Acquisition II"), might have affected the financial information presented for inclusion in Appendix III of the circular of the Company dated 13 February 2008 (the "Circular"). The basis of preparation for the Unaudited Pro Forma Financial Information on the Enlarged Group III is set out on page 193 to the Circular.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND REPORTING ACCOUNTANTS

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information on the Enlarged Group III in accordance with Rules 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion as required by Rule 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information on the Enlarged Group III and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information on the Enlarged Group III beyond that owned to those to whom those reports were addressed by us at the dates of their issue.

BASIS OF OPINION

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagement ("HKSIR") 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information on the Enlarged Group III with the directors of the Company. The engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information on the Enlarged Group III has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information on the Enlarged Group III as disclosed pursuant to Rule 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information on the Enlarged Group III is for illustrative purposes only, based on the judgments and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Enlarged Group III as at 30 June 2007 or any future date; or

- the financial results and cash flows of the Enlarged Group III for the year ended 30 June 2007 or for any future period.

OPINION

In our opinion:

- the Unaudited Pro Forma Financial Information on the Enlarged Group III has been properly compiled by the directors of the Company on the basis stated;
- such basis is consistent with the accounting policies of the Group; and
- the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information on the Enlarged Group III as disclosed pursuant to Rule 4.29(1) of the Listing Rules.

Yours faithfully
HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants
Hong Kong

UNAUDITED PRO FORMA FINANCIAL INFORMATION ON THE ENLARGED GROUP III

Introduction

The Unaudited Pro Forma Financial Information on the Enlarged Group III has been prepared to illustrate the effect of Acquisition I and Acquisition II.

The Unaudited Pro Forma Financial Information on the Enlarged Group III has been prepared in accordance with the Rules 4.29 of the Listing Rules for the purpose of illustrating the effect of Acquisition I and Acquisition II as if Acquisition I and Acquisition II took place on 30 June 2007 for the consolidated balance sheet and on 1 July 2006 for the consolidated income statement and consolidated cash flow statement.

The unaudited pro forma consolidated balance sheet, unaudited pro forma consolidated income statement and unaudited pro forma cash flow statement of the Enlarged Group III is prepared based on the audited consolidated balance sheet of the Group as at 30 June 2007, the audited consolidated income statement and audited consolidated cash flow statement of the Group for the year ended 30 June 2007 as set out in Appendix III to the Circular, the audited balance sheets of Profit Forest and Sky Advantage as at 30 November 2007, the audited income statement and audited cash flow statement of Profit Forest for the period from 6 July 2007 (date of incorporation) to 30 November 2007 and the audited income statement and audited cash flow statement of Sky Advantage for the period from 18 September 2007 (date of incorporation) to 30 November 2007 as set out in Appendix II to the Circular, after making pro forma adjustments relating to Acquisition I and Acquisition II that are (i) directly attributable to the transaction; and (ii) factually supportable.

The accompanying Unaudited Pro Forma Financial Information on the Enlarged Group III has been prepared by the directors of the Company for illustrative purpose only and is based on a number of assumptions, estimates, uncertainties. Accordingly, the Unaudited Pro Forma Financial Information on the Enlarged Group III does not purport to describe the actual financial position of the Enlarged Group III that would have been attained has Acquisition I and Acquisition II been completed on 30 June 2007 and to describe the actual financial results and cash flows of the Enlarged Group III that would have been attained has Acquisition I and Acquisition II been completed on 1 July 2006, nor purport to predict the Enlarged Group III's future financial position or results of operations.

The Unaudited Pro Forma Financial Information on the Enlarged Group III should be read in conjunction with the Accountants' Report on the Profit Forest and Sky Advantage as set out in Appendix II, the historical financial information on the Group as set out in Appendix III and other financial information included elsewhere in the Circular.

The Unaudited Pro Forma Financial Information on the Enlarged Group III has been prepared by the directors of the Company for illustrative purposes only and because of its nature, it may not give a true picture of financial position of the Enlarged Group III following completion of Acquisition I and Acquisition II.

(I) Unaudited Pro Forma Consolidated Balance Sheet of the Enlarged Group III

The following is the unaudited pro forma consolidated balance sheet of the Enlarged Group III, assuming that Acquisition I and Acquisition II have been completed on 30 June 2007. The information is based on the audited consolidated financial statements of the Group as at 30 June 2007 and the audited financial information of Profit Forest and Sky Advantage as at 30 November 2007 as set out in Appendix III and II to the Circular respectively. Such information is adjusted to reflect the effect of Acquisition I and Acquisition II.

As the unaudited pro forma consolidated balance sheet of the Enlarged Group III has been prepared for illustrative purpose only and because of its nature, it may not give a true picture of the financial position of the Enlarged Group III as at the date to which it is made up to or at any future date.

	Audited Consolidated Balance Sheet of the Group as at 30 June 2007	Audited Balance Sheet of Profit Forest as at 30 November 2007	Audited Balance Sheet of Sky Advantage as at 30 November 2007	Sub-total	Pro forma adjustments for Acquisition I	Pro forma adjustments for Acquisition II	Notes	Unaudited Pro forma Consolidated Balance Sheet of the Enlarged Group III as at 30 June 2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
ASSETS								
Non-current assets								
Property, plant and equipment	161,853	–	–	161,853				161,853
Investment property	28,550	–	–	28,550				28,550
Prepaid land premiums	2,579	–	–	2,579				2,579
Goodwill	45	–	–	45				45
Interest in profit sharing agreements	–	–	–	–	1,360,005	450,005	2	1,810,010
	193,027	–	–	193,027				2,003,037
Current assets								
Inventories	17,310	–	–	17,310				17,310
Trade and other receivables	50,161	–	–	50,161				50,161
Loan receivables	28,000	–	–	28,000				28,000
Amount due from a related company	710	–	–	710				710
Financial assets at fair value through profit or loss	1,782	–	–	1,782				1,782
Pledged bank deposits	68	–	–	68				68
Cash at securities company	38,526	–	–	38,526				38,526
Cash and bank balances	122,840	–	–	122,840	(82,440)	(27,480)	*1(i)*	12,920
	259,397	–	–	259,397				149,477
Total assets	452,424	–	–	452,424				2,152,514

	Audited Consolidated Balance Sheet of the Group as at 30 June 2007	Audited Balance Sheet of Profit Forest as at 30 November 2007	Audited Balance Sheet of Sky Advantage as at 30 November 2007	Sub-total	Pro forma adjustments for Acquisition I	II	Notes	Unaudited Pro forma Consolidated Balance Sheet of the Enlarged Group III as at 30 June 2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*		*HK$'000*
EQUITY								
Capital and reserves								
Share capital	287,953	1	1	287,955	143,999	143,999	*3*	575,953
Reserves	(7,345)	(6)	(6)	(7,357)	398,779	124,444	*4*	515,866
	280,608	(5)	(5)	280,598				1,091,819
Minority interest	15,588	–	–	15,588	204,000	67,500	*5*	287,088
Total equity	296,196	(5)	(5)	296,186				1,378,907
LIABILITIES								
Current liabilities								
Bank and other borrowings	374	–	–	374				374
Trade and other payables	41,258	–	–	41,258	5	5	*6*	41,268
Deposits received	81,813	–	–	81,813				81,813
Amount due to a minority shareholder	29,100	–	–	29,100				29,100
Amount due to a director	–	5	5	10	(5)	(5)	*6*	–
Tax payable	3,290	–	–	3,290				3,290
	155,835	5	5	155,845				155,845
Non-current liabilities								
Convertible bonds	–	–	–	–	463,924	75,676	*1(ii)*	539,600
Deferred tax liabilities	393	–	–	393	66,863	10,906	*7*	78,162
	393	–	–	393				617,762
Total liabilities	156,228	5	5	156,238				773,607
Total equity and liabilities	452,424	–	–	452,424				2,152,514
Net current assets/ (liabilities)	103,562	(5)	(5)	103,552				(6,368)
Total assets less current liabilities	296,589	(5)	(5)	296,579				1,996,669

(II) Unaudited Pro Forma Consolidated Income Statement of the Enlarged Group III

The following is the unaudited pro forma consolidated income statement of the Enlarged Group III, assuming that Acquisition I and Acquisition II have been completed on 1 July 2006. The information is based on the audited consolidated financial statements of the Group for the year ended 30 June 2007, the audited financial information of Profit Forest for the period from 6 July 2007 (date of incorporation) to 30 November 2007 and the audited financial information of Sky Advantage for the period from 18 September 2007 (date of incorporation) to 30 November 2007, as set out in Appendix III and II to the Circular respectively. Such information is adjusted to reflect the effect of Acquisition I and Acquisition II.

As the unaudited pro forma consolidated income statement of the Enlarged Group III has been prepared for illustrative purpose only and because of its nature, it may not give a true picture of the results of the Enlarged Group III for the year ended to which it is made up to or for any future period.

	Audited Consolidated Income Statement of the Group for the year ended 30 June 2007	Audited Income Statement of Profit Forest for the period from 6 July 2007 (date of incorporation) to 30 November 2007	Audited Income Statement of Sky Advantage for the period from 18 September 2007 (date of incorporation) to 30 November 2007	Sub-total	Pro forma adjustments for Acquisition I	Pro forma adjustments for Acquisition II	Notes	Unaudited Pro forma Consolidated Income Statement of the Enlarged Group III for the year ended 30 June 2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
Turnover	129,959	–	–	129,959				129,959
Cost of sales	(99,085)	–	–	(99,085)				(99,085)
Gross profit	30,874	–	–	30,874				30,874
Other revenue	4,952	–	–	4,952				4,952
Other income	1,365	–	–	1,365				1,365
Negative goodwill	–	–	–	–	11,560	1,020	*4(iii)*	12,580
Distribution costs	(1,347)	–	–	(1,347)				(1,347)
Administrative expenses	(17,995)	(6)	(6)	(18,007)				(18,007)
Equity-settled share-based payments expenses	(6,068)	–	–	(6,068)				(6,068)
Profit/(loss) from operating activities	11,781	(6)	(6)	11,769				24,349
Finance costs	(1,593)	–	–	(1,593)	(37,177)	(6,064)	*8*	(44,834)
Profit/(loss) before taxation	10,188	(6)	(6)	10,176				(20,485)
Taxation	(797)	–	–	(797)	5,025	820	*12*	5,048
Net profit/(loss) for the year/period	9,391	(6)	(6)	9,379				(15,437)

	Audited Consolidated Income Statement of the Group for the year ended 30 June 2007	Audited Income Statement of Profit Forest for the period from 6 July 2007 (date of incorporation) to 30 November 2007	Audited Income Statement of Sky Advantage for the period from 18 September 2007 (date of incorporation) to 30 November 2007	Sub-total	Pro forma adjustments for Acquisition I	II	Notes	Unaudited Pro forma Consolidated Income Statement of the Enlarged Group III for the year ended 30 June 2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
Attributable to:								
The equity holders of the Company	4,645	(6)	(6)	4,633				(20,183)
Minority interest	4,746	–	–	4,746				4,746
	9,391	(6)	(6)	9,379				(15,437)
Earnings/(loss) per share contributable to the equity holders of the Company – Basic and diluted	0.34 cents	(6,162.00) cents	(6,162.00) cents				*9(i)&(ii)*	(0.72) cents

(III) Unaudited Pro Forma Consolidated Cash Flow Statement of the Enlarged Group III

The following is the unaudited pro forma consolidated cash flow statement of the Enlarged Group III, assuming that Acquisition I and Acquisition II have been completed on 1 July 2006. The information is based on the audited consolidated financial statements of the Group for the year ended 30 June 2007, the audited financial statements of Profit Forest for the period from 6 July 2007 (date of incorporation) to 30 November 2007 and the audited financial information of Sky Advantage for the period from 18 September 2007 (date of incorporation) to 30 November 2007 as set out in Appendix III and II to the Circular respectively. Such information is adjusted to reflect the effect of Acquisition I and Acquisition II.

As the unaudited pro forma consolidated cash flow statement of the Enlarged Group III has been prepared for illustrative purpose only and because of its nature, it may not give a true picture of the cash flows of the Enlarged Group III for the year ended to which it is made up to or for any future period.

	Audited Consolidated Cash Flow Statement of the Group for the year ended 30 June 2007	Audited Cash Flow Statement of Profit Forest for the period from 6 July 2007 (date of incorporation) to 30 November 2007	Audited Cash Flow Statement of Sky Advantage for the period from 18 September 2007 (date of incorporation) to 30 November 2007	Sub-total	Pro forma adjustments for Acquisition I	Pro forma adjustments for Acquisition II	Notes	Unaudited Pro forma Consolidated Cash Flow Statement of the Enlarged Group III for the year ended 30 June 2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*		*HK$'000*
Operating activities								
Profit/(loss) before taxation	10,188	(6)	(6)	10,176	(25,617)	(5,044)	*10*	(20,485)
Adjustments for:								
Interest income	(4,678)	–	–	(4,678)				(4,678)
Dividend income	(3)	–	–	(3)				(3)
Equity-settled share-based payments expenses	6,068	–	–	6,068				6,068
Fair value gain on financial assets at fair value through profit or loss	(1,215)	–	–	(1,215)				(1,215)
Fair value gain on investment properties	(150)	–	–	(150)				(150)
Negative goodwill	–	–	–	–	(11,560)	(1,020)	*4(iii)*	(12,580)
Amortisation	64	–	–	64				64
Depreciation	18,319	–	–	18,319				18,319
Finance costs	1,593	–	–	1,593	37,177	6,064	*8*	44,834
Impairment loss recognised on obsolescence of inventories	963	–	–	963				963
Impairment loss recognised in respect of trade receivables	776	–	–	776				776
Impairment loss recognised in respect of other receivables	477	–	–	477				477
Written off on trade receivables	13	–	–	13				13

	Audited Consolidated Cash Flow Statement of the Group for the year ended 30 June 2007	Audited Cash Flow Statement of Profit Forest for the period from 6 July 2007 (date of incorporation) to 30 November 2007	Audited Cash Flow Statement of Sky Advantage for the period from 18 September 2007 (date of incorporation) to 30 November 2007	Sub-total	Pro forma adjustments for Acquisition I	II		Unaudited Pro forma Consolidated Cash Flow Statement of the Enlarged Group III for the year ended 30 June 2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
Operating profit/(loss) before working capital changes	32,415	(6)	(6)	32,403				32,403
Increase in inventories	(955)	–	–	(955)				(955)
Increase in trade and other receivables	(16,742)	–	–	(16,742)				(16,742)
Increase in loan receivables	(28,000)	–	–	(28,000)				(28,000)
Increase in amount due to a director	–	5	5	10	(5)	(5)	*6*	–
Increase in trade and other payables	2,193	–	–	2,193	5	5	*6*	2,203
Cash used in operations	(11,089)	(1)	(1)	(11,091)				(11,091)
Interest received	3,366	–	–	3,366				3,366
Hong Kong profits tax paid	(896)	–	–	(896)				(896)
Net cash outflow from operating activities	(8,619)	(1)	(1)	(8,621)				(8,621)
Cash flows from investing activities								
Payments to acquire property, plant and equipment	(300)	–	–	(300)				(300)
Dividend received	3	–	–	3				3
Decrease in pledged bank deposits	4,383	–	–	4,383				4,383
Payments to acquire subsidiaries	–	–	–	–	(82,440)	(27,480)	*1(i)*	(109,920)
Net cash inflow/(outflow) from investing activities	4,086	–	–	4,086				(105,834)
Cash flows from financing activities								
Deposits received from open offer	81,813	–	–	81,813				81,813
Issue of shares	–	1	1	2	(1)	(1)	*3(ii)*	–
Repayment of loans	(1,564)	–	–	(1,564)				(1,564)
Finance costs paid	(989)	–	–	(989)	(8,460)	(1,380)	*11*	(10,829)
Net cash inflow from financing activities	79,260	1	1	79,262				69,420

	Audited Consolidated Cash Flow Statement of the Group for the year ended 30 June 2007	Audited Cash Flow Statement of Profit Forest for the period from 6 July 2007 (date of incorporation) to 30 November 2007	Audited Cash Flow Statement of Sky Advantage for the period from 18 September 2007 (date of incorporation) to 30 November 2007	Sub-total	Pro forma adjustments for Acquisition I	Pro forma adjustments for Acquisition II	Notes	Unaudited Pro forma Consolidated Cash Flow Statement of the Enlarged Group III for the year ended 30 June 2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
Net increase/(decrease) in cash and cash equivalents	74,727	–	–	74,727				(45,035)
Cash and cash equivalents at the beginning of the year/period	86,265	–	–	86,265				86,265
Cash and cash equivalents at the end of the year/period	160,992	–	–	160,992				41,230
Analysis of balances of cash and cash equivalents								
Cash and bank balances	122,840	–	–	122,840				3,078
Cash at securities company	38,526	–	–	38,526				38,526
Bank overdrafts	(374)	–	–	(374)				(374)
	160,992	–	–	160,992				41,230

(IV) Notes to the Unaudited Pro Forma Financial Information on the Enlarged Group III

Under HKFRS 3 Business Combinations ("HKFRS 3"), the Company will apply the purchase method to account for Acquisition I and Acquisition II. In applying the purchase method, the identifiable assets, liabilities and contingent liabilities of Profit Forest and Sky Advantage will be recorded on the consolidated balance sheet of the Company at their fair values at the date of completion. Any goodwill or discount arising on Acquisition I and Acquisition II will be determined as the excess or deficit of the purchase price to be incurred by the Company over the Company's interests in the net fair value of the identifiable assets, liabilities and contingent liabilities of Profit Forest and Sky Advantage at the date of completion. Negative goodwill resulting from the business combinations should be recognised immediately in the consolidated income statement.

The adjustments reflected the following:

1. The consideration for Acquisition I to be satisfied by Stand Great Limited and the consideration for Acquisition II to be satisfied by Hero Will Limited are approximately HK$1,144,440,000 and HK$381,480,000 respectively. The considerations are to be satisfied by:

	Acquisition I *HK$'000*	**Acquisition II** *HK$'000*
Cash consideration *(Note 1(i))*	82,440	27,480
Convertible bonds (the "Convertible Bond I and II") *(Note 1(ii))*	846,000	138,000
Consideration shares (the "Consideration Share I and II") *(Note 1 (iii))*	216,000	216,000
	1,144,440	381,480

(i) Assuming that Acquisition I and Acquisition II had been completed on 30 June 2007, the cash consideration for Acquisition I and Acquisition II would be settled as follows:

	Acquisition I *HK$'000*	**Acquisition II** *HK$'000*
Refundable deposits	25,000	10,000
Cash payment upon completion of acquisition	57,440	17,480
	82,440	27,480

The cash consideration shall be funded by the Company's internal resources.

(ii) Assuming Convertible Bond I and Convertible Bond II are issued on 30 June 2007, the Company has separated Convertible Bond I and Convertible Bond II into liability and equity portions in accordance with Hong Kong Accounting Standards 32 "Financial Instrument: Disclosure and Presentation".

In preparing the Unaudited Pro Forma Financial Information on the Enlarged Group III, the face value of Convertible Bond I of HK$846,000,000 and Convertible Bond II of HK$138,000,000 have taken to be their fair value as if they were issued upon completion of Acquisition I and Acquisition II respectively.

The adjustments of approximately HK$463,924,000 and HK$75,676,000 represent the liability portion of Convertible Bond I and Convertible Bond II respectively based on the calculation of the discounted cash flow method. The Company has taken the prime rate of 7.5% p.a. as at 30 June 2007 as the discount rate for the calculation of the liability portion of Convertible Bond I and Convertible Bond II. Please refer to the following for the details of the liability and equity portions of Convertible Bond I and Convertible Bond II.

	Convertible Bond I	Convertible Bond II
	HK$'000	*HK$'000*
Liability portion		
– Non-current liabilities	463,924	75,676
– Deferred tax liabilities *(Note 7)*	66,863	10,906
	530,787	86,582
Equity portion *(Note 4(ii))*	315,213	51,418
	846,000	138,000

(iii) Assuming the issue price of HK$0.30 per share was the fair value of the Company as at 30 June 2007, HK$216,000,000 of each would be satisfied by procuring the Company to allot and issue Consideration Share I and Consideration Share II. Upon the completion of Acquisition I, the share capital and share premium of the Company will increase by approximately HK$144,000,000 and HK$72,000,000 respectively while upon the completion of Acquisition II, the share capital and share premium of the Company will increase by approximately HK$144,000,000 and HK$72,000,000 respectively.

2. The pro forma adjustments of HK$1,360,005,000 and HK$450,005,000 represent the fair value adjustments of the interest in a profit sharing agreement of Profit Forest and Sky Advantage respectively over the carrying amounts as at 30 November 2007, as if Acquisition I and II were completed on 30 June 2007.

   The fair values of these assets as at 30 June 2007 are determined with reference to valuation at 30 June 2007 carried out by BMI Appraisal Limited, an independent qualified professional valuers not connected to the Enlarged Group III.

   According to the valuation information provided by BMI Appraisal Limited, the valuation of the interest in a profit sharing agreement is based on the market approach.

3. The pro forma adjustment of HK$143,999,000 represents the sum of the following:

   (i) Assuming the issuance of 720,000,000 for each of Consideration Share I and Consideration Share II at par value of HK$0.2 by the Company, the share capital of the Company would increase approximately by HK$144,000,000 for each of the Consideration Share I and Consideration Share II.

   (ii) The adjustment of approximately HK$1,000 of each represents the elimination of the share capital of Profit Forest and Sky Advantage upon the consolidation of the Unaudited Pro Forma Financial Information on the Enlarged Group III.

4. The pro forma adjustments of approximately HK$398,779,000 for Acquisition I and HK$124,444,000 for Acquisition II represents the net effect of the followings:

	Acquisition I	**Acquisition II**
	HK$'000	*HK$'000*
Elimination of pre-acquisition reserves		
– Accumulated loss	6	6
Share premium *(Note 4(i))*	72,000	72,000
Equity Component of convertible bond *(Note 4(ii))*	315,213	51,418
Negative goodwill *(Note 4(iii))*	11,560	1,020
	398,779	124,444

(i) Assuming the issue price of HK$0.3 was the fair value of the share of the Company at 30 June 2007, share premium of approximately HK$72,000,000 of each was recorded in the reserves resulting from the issuance of both Consideration Share I and Consideration Share II, as described in Note 1(iii) above.

(ii) The equity components of the Convertible Bond I and Convertible Bond II were approximately HK$315,213,000 and HK$51,418,000 respectively. Please also refer to Note 1(ii) for the details of the Convertible Bond I and Convertible Bond II.

(iii) The negative goodwill arising from Acquisition I and Acquisition II were calculated on the basis of the excess of the consideration paid over the net fair value of the identifiable assets, liabilities and contingent liabilities of Profit Forest and Sky Advantage respectively. Details are set out as follows:

	Acquisition I	**Acquisition II**
	HK$'000	*HK$'000*
The consideration	1,144,440	381,480
Less: Fair value of 85% interest in the net asset value in Profit Forest/Sky Advantage	(1,156,000)	(382,500)
Negative goodwill	(11,560)	(1,020)

Note:

	Acquisition I	**Acquisition II**
	HK$'000	*HK$'000*
Net book value of Profit Forest/Sky Advantage as at 30 November 2007	(5)	(5)
Fair value adjustments on a profit sharing agreement *(Note 2)*	1,360,005	450,005
Net assets value of Profit Forest/Sky Advantage at fair value as at 30 November 2007	1,360,000	450,000
Equity interest to be acquired	85%	85%
Fair value of 85% interest in Profit Forest and Sky Advantage	1,156,000	382,500

5. The pro forma adjustment represents minority interest of approximately HK$204,000,000 as Ultra Choice Limited would become a minority shareholder having 15% equity interest in Profit Forest upon completion of Acquisition I.

   The pro forma adjustment represents minority interest of approximately HK$67,500,000 as Faith Mount Limited would become a minority shareholder having 15% equity interest in Sky Advantage upon completion of Acquisition II.

6. The pro forma adjustment of approximately HK$5,000 of each represents re-allocation of amount due to a director of both Profit Forest and Sky Advantage to other payable on consolidation.

7. The pro forma adjustment represents deferred tax liabilities of approximately HK$66,863,000 and HK$10,906,000 arising from Convertible Bond I and Convertible Bond II respectively. Please also refer to Note 1(ii) for details of Convertible Bond I and Convertible Bond II.

8. The pro forma adjustments of approximately HK$37,177,000 and HK$6,064,000 represent an annual finance cost of imputed interest expenses of Convertible Bond I and Convertible Bond II respectively to be expensed in the consolidated income statement of the Enlarged Group III with the imputed interest rate of 8% for the year ended 30 June 2007. These interest expenses shall have continuing effect on the financial statements of the Enlarged Group III in subsequent years.

9(i). The calculation of pro forma basic loss per share is based on the Enlarged Group III's pro forma net loss attributable to the equity holders of the Company of HK$20,183,000 and the number of ordinary shares of 2,795,927,000 of the Enlarged Group III upon the completion of Acquisition I and Acquisition II. The number of ordinary shares of 2,795,927,000 is derived from:

	'000
Audited weighted average number of ordinary shares for the year ended 30 June 2007	1,355,927
Pro forma adjustment for ordinary shares issued as part of acquisition of 85% issued share of	
(a) Profit Forest	720,000
(b) Sky Advantage	720,000
Unaudited pro forma weighted average number of ordinary shares for the year ended 30 June 2007	2,795,927

9(ii). By assuming Convertible Bond I and the Convertible Bond II were converted into ordinary shares on 1 July 2006, Convertible Bond I and the Convertible Bond II were both anti-dilutive because their interest per ordinary share obtainable on conversion exceeds basis loss per share.

10. The pro forma adjustments to the consolidated cash flow statement of approximately HK$25,617,000 and HK$5,044,000 represent the recognition of the finance cost of Convertible Bond I of approximately HK$37,177,000 and Convertible Bond II of approximately HK$6,064,000 respectively and negative goodwill of approximately HK$11,560,000 and HK$1,020,000 from Acquisition I and Acquisition II respectively for the purpose of adjusting the profit before taxation.

11. The pro forma adjustments of HK$8,460,000 and HK$1,380,000 represent the actual payments of interests for Convertible Bond I and Convertible Bond II respectively with a coupon rate of 1% for the year ended 30 June 2007.

12. The pro forma adjustments of approximately HK$5,025,000 and HK$820,000 represent the deferred tax effect of Convertible Bond I and Convertible Bond II respectively for the year ended 30 June 2007.

GREATER CHINA APPRAISAL LIMITED
漢 華 評 值 有 限 公 司

Room 2703
Shui On Centre
6-8 Harbour Road
Wanchai
Hong Kong

13 February 2008

The Directors
Neptune Group Limited
Units 1205-6, 12th Floor
Office Tower Two
The Harbourfront
18-22 Tak Fung Street
Hunghom, Kowloon

Dear Sirs,

In accordance with the instructions from Neptune Group Limited (the "Company") to value the property interests of Metrix Engineering Company Limited ("Metrix Engineering"), a subsidiary of the Company, we confirm that we have carried out inspection, made relevant enquires and obtained such further information as we consider necessary for the purpose of providing the market value of such interests as at 31 December 2007 (referred to as the "valuation date").

It is our understanding that this valuation is for the purpose of very substantial acquisition.

This letter which forms part of our valuation report explains the basis and methodology of valuation, and clarifies our assumptions made, titleship of property and the limiting conditions.

BASIS OF VALUATION

The valuation is our opinion of the market value which we would define as intended to mean: "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

VALUATION METHODOLOGY

The property interests are valued by the comparison method where comparison based on prices realized or market prices of comparable properties is made. Comparable properties of similar size, character and location are analyzed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of capital values.

ASSUMPTIONS

Our valuation has been made on the assumption that the owner sells the property interests on the open market in their existing states without the benefit of any deferred terms contracts, leaseback, joint ventures, management agreements or any similar arrangement which would serve to increase the value of the property interests.

For the property interests which are held under long term Government Lease, we have assumed that the owners of the property interests have free and uninterrupted rights to use, transfer or lease the property for the whole of the unexpired term of the respective Government Lease. In our valuation, we have assumed that the property can be freely disposed of, transferred and leased to third parties on the open market without any additional payment to the relevant government authorities. Unless otherwise stated, vacant possession is assumed for the property concerned.

We have assumed that all consents, approvals and licenses from relevant government authorities for the buildings and structures erected thereon have been granted. Also, we have assumed that all buildings and structures fall within the site are held by the owner or permitted to be occupied by the owner.

It is assumed that all applicable zoning and use regulations and restrictions have been complied with unless nonconformity has been stated, defined, and considered in the appraisal report. Moreover, it is assumed that the utilization of the land and improvements is within the boundaries of the site held by the owner or permitted to be occupied by the owner. In addition, we assumed that no encroachment or trespass exists, unless noted in the report.

No environment impact study has been ordered or made. Full compliance with applicable national, provincial and local environmental regulations and laws is assumed unless otherwise stated, defined, and considered in the report. It is also assumed that all required licences, consents, or other legislative or administrative authority from any local, provincial, or national government or private entity or organization either have been or can be obtained or renewed for any use which the report covers.

Other special assumptions, if any, have been stated out in the footnotes of the valuation certificate.

TITLESHIP INVESTIGATION

We have caused searches to be made at the Land Registry in Hong Kong. We have not, however, searched the original documents to verify ownership or to ascertain the existence of any amendment which does not appear on the copy handed to us.

All legal documents disclosed in this report, if any, are for reference only and no responsibility is assumed for any legal matters concerning the legal title to the property set out in this report.

LIMITING CONDITIONS

We have not carried out detailed site measurements to verify the correctness of the land or building areas in respect of the relevant property but have assumed that the areas shown on the legal documents provided to us are correct. Based on our experience of valuation of similar properties, we consider the assumptions so made to be reasonable. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

We have inspected the exterior and, where possible, the interior of the property included in the attached valuation certificates. However, no structural survey has been made and we are therefore unable to report as to whether the property is free from rot, infestation or any other structural defects. Also, no tests were carried out on any of the services.

No site investigations have been carried out to determine the suitability of the ground conditions or the services for any property development. No soil analysis or geological studies were ordered or made in conjunction with this report, nor were any water, oil, gas or other subsurface mineral use rights or conditions investigated.

Having examined all relevant documentation, we have relied to a very considerable extent on the information provided by the Company and have accepted advice given to us by it on such matters as planning approvals, statutory notices, easements, tenure, occupation, rentals, site and floor areas and in the identification of the property in which the Company has valid interest.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We were also advised by the Company that no material factors have been omitted from the information to reach an informed view, and have no reason to suspect that any material information has been withheld.

No allowances have been made in our valuation for any charges, mortgages or amounts owing on any of the property interests valued nor for any expenses or taxation which may be incurred in effecting a sale.

Unless otherwise stated, it is assumed that the properties are free of encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

OPINION OF VALUE

Valuation figures of the property interests held by Metrix Engineering are shown in the attached valuation certificate.

REMARKS

Our valuation has been prepared in accordance with generally accepted valuation procedures and in compliance with the requirements as set out in Chapter 5 of the Rules governing the Listing of Securities of The Stock Exchange of Hong Kong Limited.

In valuing the property interests, we have complied with the requirements contained in the HKIS Valuation Standards on Properties (1st Edition 2005) published by the Hong Kong Institute of Surveyors and effective from 1 January 2005.

We enclose herewith the summary of valuation and the valuation certificates.

This valuation report is issued subject to our General Service Conditions.

Yours faithfully,
For and on behalf of
GREATER CHINA APPRAISAL LIMITED
K. K. Ip *BLE, LLD*
Chartered Valuation Surveyor
Registered Professional Surveyor
Managing Director

Note: Mr. K. K. Ip, is a chartered valuation surveyor and registered professional surveyor, has substantial experience in valuation of property in Hong Kong since 1992.

SUMMARY OF VALUATION

Property Interests held by Metrix Engineering for Owner Occupation

No.	**Property**	**Market value as at 31 December 2007** *(HK$)*
1.	Godown Nos. 2-7 on 1st Floor Hong Leong Industrial Complex No. 4 Wang Kwong Road Kowloon	13,900,000
2.	Workshop No.7 on 5th Floor Hong Leong Industrial Complex No. 4 Wang Kwong Road Kowloon	3,300,000
	Total:	HK$17,200,000

VALUATION CERTIFICATES

Property Interests held by Metrix Engineering for Owner Occupation

No.	Property	Description and Tenure	Particular of Occupancy	Market value as at 31 December 2007
1.	Godown Nos. 2-7 on 1st Floor Hong Leong Industrial Complex No. 4 Wang Kwong Road Kowloon 419/9,560th shares of and in New Kowloon Inland Lot No. 5870 (the "Lot")	The property comprises 6 godown units on the 1st floor within an 8-storey industrial building completed in 1987. The total gross floor area of the property is approximately 12,626 square feet (1,172.98 square metres). The property is held under Conditions of Sale No. 11510 for a lease term of 99 years commencing on 1 July 1898, which has statutorily extended to 30 June 2047 with annual ground rent equivalent to 3% of its rateable value.	As at the date of valuation, the property was occupied by the Metrix Engineering as office and warehouse.	HK$13,900,000

Note:

(i) The registered owner of the property is Metrix Engineering Company Limited, in which the Company indirectly holds 80% interests, via memorial no. UB8629087 dated 13 March 2002. The property is not subject to any charge, legal charge, mortgage or any similar material encumbrances.

No.	Property	Description and Tenure	Particular of Occupancy	Market value as at 31 December 2007
2.	Workshop No.7 on 5th Floor Hong Leong Industrial Complex No. 4 Wang Kwong Road Kowloon 87/9,560th shares of and in New Kowloon Inland Lot No. 5870 (the "Lot")	The property comprises 1 workshop unit on the 5th floor within an 8-storey industrial building completed in 1987. The gross floor area of the property is approximately 2,881 square feet (267.65 square metres). The property is held under Conditions of Sale No. 11510 for a lease term of 99 years commencing on 1 July 1898, which has statutorily extended to 30 June 2047 with annual ground rent equivalent to 3% of its rateable value.	The property is occupied by Metrix Engineering as office.	HK$3,300,000

Note:

(i) The registered owner of the property is Metrix Engineering Company Limited, in which the Company indirectly holds 80% interests, via memorial no. 07080702330101 dated 12 July 2007. The property is not subject to any charge, legal charge, mortgage or any similar material encumbrances.

Chung, Chan & Associates
Chartered Surveyors
Professional Valuers of all types of Property, Business and Assets, Plant, Machinery and Equipment
Professional Real Estate Advisers

衡量行

13th February, 2008

The Directors
Neptune Group Limited
Units 1205-6, 12th Floor
Office Tower Two
The Harbourfront
18-22 Tak Fung Street
Hunghom, Kowloon

Dear Sirs,

Re: Old Government Building situated at Zhong Shan West Road, Heng Li Zhen, Dongguan, Guangdong Province, People's Republic of China.

In accordance with your instructions to value the above property interest which is held by Dongguan City Heng Li Zhen Real Estate Development Company on behalf of Tenin Investments Limited, a subsidiary of Neptune Group Limited (the latter two companies hereinafter together referred to as the "Group") in the People's Republic of China (the "PRC"), we have carried out an inspection, made relevant enquiries and have obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital value of the property interest as at 31st December, 2007 (the "date of valuation"). Our valuation undertaken herein is in compliance with the requirements as set out in Chapter 5 and Practice Note 12 of the Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Our valuation of the above property interest is our opinion of its market value which, in accordance with the Valuation Standards on Properties as laid down by the Hong Kong Institute of Surveyors (HKIS) and the Appraisal and Valuation Standards as published by the Royal Institution of Chartered Surveyors (RICS), is defined as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

Our valuation has been made on the assumption that the owner sells the property interest on the market in its existing state without the benefit of a deferred terms contract, sale and leaseback, joint venture, unusual financing, management agreement, concessionary engagement or any similar arrangement which would serve to enhance, affect or diminish the value of the property. In addition, no account is taken of any option or pre-emptive right relating to or affecting the sale of the property and no forced sale in any form in respect of the property has been assumed in our valuation.

As at 31st December, 2007, the property is vacant and accordingly it has been valued on the basis of its market value on the assumption that vacant possession will be available in the event of a sale or transfer and having regard to market comparables wherever possible. As the buildings and structures occupying the land are more than 30 years old, are unoccupied and in dilapidated condition, we have disregarded the buildings and structures and have valued the property on the basis of the land with redevelopment potential. However, we are advised by the Group that it has no plans to redevelop the property at the present time.

We have relied to a very considerable extent on information given by the Group as well as on legal opinion of the Group's PRC lawyers and have also accepted advice given to us in relation to planning approvals or statutory notices, easements, tenure, completion date of buildings, contracts and agreements, particulars of occupancy, floor areas, site area and other relevant matters.

We have been provided with copies of agreements and other documents relating to the property interest. However, we have not inspected the original documents to verify ownership or to ascertain the existence of any lease amendments which do not appear on the copies provided to us.

All copies of documents and contracts relating to the property interest have been used as reference only. All dimensions, measurements and areas as stated in our valuation certificate are approximate and are based on information provided to us by the Group. Also, all floor areas and land area as shown on the copies of documents or from information supplied to us by the Group are assumed to be correct. No on-site measurements have been taken or carried out to determine the floor areas of the existing buildings and structures or site area of the property or to verify their correctness.

In preparing our valuation, we have relied on legal opinion given by the Group's PRC lawyers, Allied Law Firm (廣東雅爾德律師事務所) dated 25th January, 2008 that the land use right of the property is transferable and that unless otherwise stated, any premium payable has already been fully paid or will be fully paid. We have also assumed that all approvals, consents, certificates, permits and licences from the relevant Government authorities for the property have been or will be granted without any onerous conditions or undue delay which might affect the value of the property. We have also relied on legal opinion given by the Group's PRC legal advisers on PRC law regarding the legality and validity of the various agreements and documents relating to the purchase and subsequent redevelopment of the property and the interest of the Group in the property. According to the legal opinion of the Group's PRC legal advisers the title in respect of the property, whether vested in the Group or pending, is legally enforceable.

According to the legal opinion of the Group's PRC lawyers, the Group has free and uninterrupted rights to use, transfer, assign or lease the property for the unexpired term of the granted lease and that all costs relating to the acquisition of the property have been paid in full.

All the information provided to us by the Group, which are pertinent to our valuation, are believed to be true and accurate and it is assumed that no material facts have been omitted from the information supplied.

We must advise that no building survey has been carried out on the buildings and structures occupying the land as the buildings and structures are over 30 years old and in dilapidated condition and would require to be demolished in the event that the property is sold as the valuation of the property is on the land and not the existing buildings and structures on it.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property interest and neither has any allowance been made for any liability to taxation on sale or any expenses which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

In accordance with your instructions, we are required to express our opinion on the market value of the property interest in Hong Kong Dollars. The exchange rate used for converting the value of the property interest from Renminbi into Hong Kong Dollars at the relevant date is equivalent to about RMB1.00 = HK$1.06. We understand that there has been no significant fluctuation in the exchange rate of Renminbi and the Hong Kong Dollar between the date such exchange rate was adopted and the date of this letter.

We enclose herewith our valuation certificate.

Yours faithfully,
CHUNG, CHAN & ASSOCIATES
Peter C. K. Chung *FRICS FHKIS MIS(M) PDABV*

Note: Mr. Peter Chung is a Chartered Surveyor, a Fellow of the Royal Institution of Chartered Surveyors and a Fellow of the Hong Kong Institute of Surveyors, and has been conducting professional valuations of property and other assets as well as providing professional advisory work in Hong Kong, mainland China, the Asia Pacific region, Europe and America for over 25 years. He has more than 15 years experience in the valuation of properties in the PRC.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31st December, 2007
Old Government Building situated at Zhong Shan West Road, Heng Li Zhen, Dongguan, Guangdong Province, People's Republic of China.	The property comprises an irregular shape site situated off Zhong Shan West Road in the commercial and shopping hub of Heng Li Zhen, a town located immediately to the northwest of Chang Ping Zhen and east of the city of Dongguan. As stated in the State-owned Land Use Certificate mentioned below, the land upon which the existing buildings and structures occupy has an area of 9,001.44 sq.m. (96.892 sq.ft. approximately). Occupying the site is an old building with ancillary buildings, out-buildings and structures which, we are advised, were formerly occupied and used by the Government of Heng Li Zhen. However, the buildings and structures have been disused for several years and are now vacant and in disrepair. We understand that the buildings and structures were built more than 30 years ago. As the buildings and structures are unoccupied and dilapidated, we have approached our valuation on the basis of the value of the land. However, we are advised by the Group that it has no plans to redevelop the property at the present time. The property has been granted a land use term of 70 years expiring on 29th December, 2063 for residential/commercial purposes.	As at the date of valuation, the property is vacant.	HK$16,600,000

Notes:

1. The salient conditions of the Real Estate Transfer Agreement – Dong Heng Fang Zhuan Zi Di No. 030 (房地產轉讓合同書 – 東橫房轉字第 030 號) dated 21st May, 1993, (the "Agreement"), entered into between Dongguan City Heng Li Zhen Real Estate Development Company (東莞市橫瀝鎮房地產開發公司), ("Party A") and Tenin Investments Limited (香港得興投資有限公司), ("Party B") are as follows:

(i)	Site area:	8,997 sq.m. (96,844 sq.ft. approximately)
(ii)	Gross floor area of existing building above ground:	5,389.58 sq.m. (58,013 sq.ft. approximately)
(iii)	Lease term:	70 years
(iv)	Plot ratio:	1:5
(v)	Height of proposed building:	Not exceeding 22 storeys
(vi)	Purchase price of land:	RMB11,000,000
(vii)	Deposit paid:	80% of purchase price i.e. RMB8,800,000 The balance of RMB2,200,000 is payable by Party B to Party A upon delivery of the property with vacant possession by Party A within one year's time. However, Party A has the right to extend the delivery date again not more than six months. Note: As advised by the Group, the above-mentioned balance of RMB2,200,000 has already been paid.
(viii)	Uses:	Commercial/residential

Party A shall be responsible for taking care of the legal transfer procedures of the above-mentioned property and shall be responsible for all related charges.

After obtaining the Land and Building Uses Right, Party B can transfer the land including the buildings on it but would have to process the necessary procedures with the relevant Department and would have to pay all relevant taxes. In accordance with terms agreed between both parties, Party B and Party A shall jointly redevelop the property. Party A shall provide all the relevant legal permits and procedures necessary to manage a shopping or entertainment complex or hotel, etc. Hence, Party B shall provide capital for redeveloping the property and shall handle the subsequent sale, and shall, upon completion of the redevelopment, give Party A RMB50 per sq.m. as profit based on the gross floor area of the developed area.

We are advised by the Group that Party A and its ultimate beneficial owners is independent of and not connected with Party B (a wholly-owned subsidiary of the Company) and the Company and their respective ultimate beneficial owners.

2. According to the State-owned Land Use Certificate, Dong Fu Guo Yong (2001) Zi Di Te No. 58 (國有土地使用證 – 東府國用(2001)字第特58號), dated 23rd February, 2001 issued by the People's Government of Dongguan Municipality, the property situated in Heng Li Zhen Bian Xian Shan Cun Xin Bu (橫瀝鎮半仙山村新埠) has a land area of 9,001.44 sq.m. and has been granted a land use term expiring on 29th December, 2063 for residential/commercial. The title of the property is vested in Dongguan City Heng Li Zhen Real Estate Development Company (東莞市橫瀝鎮房地產開發公司).

3. There is a letter issued by Dongguan City Heng Li Zhen Real Estate Development Company (東莞市橫瀝鎮房地產開發公司) ("Dongguan Heng Li") dated 13th April, 2007 which recognised and confirmed that the above-mentioned Agreement issued on 21st May, 1993 is still valid until further notice and that all the related rights, obligations and legal responsibilities of Dongguan Heng Li as stated in the above-mentioned Agreement shall be borne by Dongguan Heng Li. Dongguan Heng Li also stated in the letter that in accordance with the Agreement, it holds the property (Old Government Building) on behalf of Tenin Investments Limited.

   The property (Old Government Building) was originally purchased by Tenin Investments Limited for the purpose of forming a joint venture company with Dongguan Heng Li in which the property (Old Government Building) will be held in the name of Dongguan Heng Li. However, the proposed joint venture company had not been formed. In order to save time and costs and to maintain a good business relationship with Dongguan Heng Li, the property (Old Government Building) continues to be held in the name of Dongguan Heng Li on behalf of TenIn Investments Limited. The Group has obtained confirmation from its PRC legal advisers that the holding of the property (Old Government Building) by Dongguan Heng Li on behalf of Tenin Investments Ltd. will not contravene the PRC law. The property (Old Government Building) has been recorded in the books of the Group.

4. We have relied on all the information as provided by the Group and the legal opinion of Allied Law Firm, the Group's PRC lawyers, and have prepared our valuation on the following bases:

   (i) The owner or lessee of the property is Dongguan Heng Li (the beneficial owner of Dongguan Heng Li is Heng Li Zhen Government) which is in possession of a legal title to the property and is entitled to transfer or lease the property with the residual lease term of the land use right at no additional premium or other costs payable to the government.

   (ii) All land premium and other costs relating to the provision of ancillary services have been or will be completely settled.

   (iii) Our valuation of the property is based on a site area of approximately 9,001.44 sq.m. in accordance with the above-mentioned State-owned Land Use Certificate issued by the People's Government of Dongguan Municipality.

   (iv) Our valuation of the property is based on the assumption that it is capable of being redeveloped and the design and construction of any proposed building or buildings to be erected on the land shall be in compliance with local planning regulations and shall be capable of being approved by the relevant government authorities.

   (v) No premium or penalty shall be payable by the owner for the delay in redeveloping the property.

   (vi) Our valuation of the property is based on a 100 per cent attributable interest.

   (vii) The property may be disposed of freely to purchasers within and outside the PRC.

5. The status of title of the property interest, as well as requisite approvals, consents, certificates, permits and licences relating to the purchase of the property interest in accordance with the information provided by the Group and the legal opinion of the Group's PRC lawyers are as follows:

Real Estate Transfer Agreement – Dong Heng Fang Zhuan Zi Di No. 030	– signed
State-owned Land Use Certificate – Dong Fu Guo Yong (2001) Zi Di Te No. 58	– obtained
Business Licence (in respect of Dongguan City Heng Li Zhen Real Estate Development Company)	– obtained

Chung, Chan & Associates
Chartered Surveyors
Professional Valuers of all types of Property, Business and Assets,
Plant, Machinery and Equipment
Professional Real Estate Advisers

CCA 衡量行

13th February, 2008

The Directors
Neptune Group Limited
Units 1205-6, 12th Floor
Office Tower Two
The Harbourfront
18-22 Tak Fung Street
Hunghom, Kowloon

Dear Sirs,

Re: Fu Rong Building situated at Zhong Shan Road, Zhu Ken Kou, Heng Li Zhen, Dongguan, Guangdong Province, People's Republic of China.

In accordance with your instructions to value the above property interest which is held by Dongguan City Heng Li Zhen Real Estate Development Company on behalf of Anwill Investments Limited, a subsidiary of Neptune Group Limited (the latter two companies hereinafter together referred to as the "Group") in the People's Republic of China (the "PRC"), we have carried out an inspection, made relevant enquiries and have obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital value of the property interest as at 31st December, 2007 (the "date of valuation"). Our valuation undertaken herein is in compliance with the requirements as set out in Chapter 5 and Practice Note 12 of the Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Our valuation of the above property interest is our opinion of its market value which, in accordance with the Valuation Standards on Properties as laid down by the Hong Kong Institute of Surveyors (HKIS) and the Appraisal and Valuation Standards as published by the Royal Institution of Chartered Surveyors (RICS), is defined as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a wiling seller in a arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

Our valuation has been made on the assumption that the owner sells the property interest on the market in its existing state without the benefit of a deferred terms contract, sale and leaseback, joint venture, unusual financing, management agreement, concessionary engagement or any similar arrangement which would serve to enhance, affect or diminish the value of the property. In addition, no account is taken of any option or pre-emptive right relating to or affecting the sale of the property and no forced sale in any form in respect of the property has been assumed in our valuation.

As at 31st December, 2007, all of the floors in the building which comprise the subject property are vacant. Accordingly the property has been valued on the basis of its market value on the assumption that vacant possession will be available in the event of a sale or transfer and with reference to market comparables wherever possible.

We have relied to a very considerable extent on information given by the Group as well as on legal opinion given by the Group's PRC lawyers and have also accepted advice given to us in relation to planning approvals or statutory notices, easements, tenure, completion date of the building, contracts and agreements, particulars of occupancy, floor areas, site area and other relevant matters.

We have been provided with copies of agreements and other documents relating to the property interest. However, we have not inspected the original documents to verify ownership or to ascertain the existence of any lease amendments which do not appear on the copies provided to us.

All copies of documents and contracts relating to the property interest have been used as reference only. All dimensions, measurements and areas as stated in our valuation certificate are approximate and are based on information provided to us by the Group. Also, all floor areas and site area as shown on the copies of documents or from information supplied to us by the Group are assumed to be correct. No on-site measurements have been taken or carried out to determine the floor areas or site area of the property or to verify their correctness.

In preparing our valuation, we have relied on legal opinion given by the Group's PRC lawyers, Allied Law Firm (廣東雅爾德律師事務所) dated 25th January, 2008 that the land use right of the property is transferable and that unless otherwise stated, any premium payable has already been fully paid or will be fully paid. We have also assumed that all approvals, consents, certificates, permits and licences from the relevant Government authorities for the property have been or will be granted without any onerous conditions or undue delay which might affect the value of the property. We have also relied on legal opinion given by the Group's PRC legal advisers on PRC law regarding the legality and validity of the various agreements and documents relating to the cooperation and development of the property and the interest of the Group in the property. According to the legal opinion of the Group's PRC legal advisers the title in respect of the property, whether vested in the Group or pending, is legally enforceable.

According to the legal opinion of the Group's PRC lawyers, the Group has free and uninterrupted rights to use, transfer, assign or lease the property for the unexpired term of the granted lease and that all costs relating to the acquisition of the property have been paid in full.

All the information provided to us by the Group, which are pertinent to our valuation, are believed to be true and accurate and it is assumed that no material facts have been omitted from the information supplied.

We are instructed to express our opinion on the capital value of the property interest and in the capacity of an external valuer, we have not undertaken any building survey to report on the condition or state of repair of the building although in the course of our inspection, we did not note any serious defects. However, we must advise that we cannot express an opinion about or give advice on the condition of the uninspected parts of the property or report on whether or not those parts of the property which are concealed, unexposed or inaccessible, are free of rot, infestation or other structural defects, whether latent or otherwise. For the purpose of our valuation, the aforesaid parts of the property are assumed to be in a good state of repair and condition, and this report should not be construed as making any implied representation or statement about the condition of such parts. None of the services in respect of the property has been tested.

We have not arranged for any investigation to be conducted or tests to be carried out to determine whether or not any deleterious or hazardous materials have been used in the construction of the building, or whether such materials have since been incorporated, and we are therefore unable to report that the property is free from such risk. However, for the purpose of our valuation, should such an investigation be carried out it would not reveal the presence of any such materials to any significant extent.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property interest and neither has any allowance been made for any liability to taxation on sale or any expenses which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

In accordance with your instructions, we are required to express our opinion on the market value of the property interest in Hong Kong Dollars. The exchange rate used for converting the value of the property interest from Renminbi into Hong Kong Dollars at the relevant date is equivalent to about RMB1.00 = HK$1.06. We understand that there has been no significant fluctuation in the exchange rate of Renminbi and the Hong Kong Dollar between the date such exchange rate was adopted and the date of this letter.

We enclose herewith our valuation certificate.

Yours faithfully,
CHUNG, CHAN & ASSOCIATES
Peter C. K. Chung *FRICS FHKIS MIS(M) PDABV*

Note: Mr. Peter Chung is a Chartered Surveyor, a Fellow of the Royal Institution of Chartered Surveyors and a Fellow of the Hong Kong Institute of Surveyors, and has been conducting professional valuations of property and other assets as well as providing professional advisory work in Hong Kong, mainland China, the Asia Pacific region, Europe and America for over 25 years. He has more than 15 years experience in the valuation of properties in the PRC.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31st December, 2007
Fu Rong Building situated at Zhong Shan Road, Zhu Ken Kou, Heng Li Zhen, Dongguan, Guangdong Province, People's Republic of China.	The property comprises a 7-storey commercial/residential building, which occupies a somewhat rectangular shape site with a frontage to Zhong Shan Road, one of the main streets close to the commercial hub of Heng Li Zhen. The town is located immediately to the northwest of Chang Ping Zhen and east of the city of Dongguan. The ground and first floors of the building are designed for commercial purposes whilst the upper floors are for residential uses. There are altogether nine ground floor units with two of them being used as an entrance and exit for the first floor commercial space which is designed for use as a commercial arcade or restaurant. According to the Commodity House Pre-Sale Permits 94 Dongguan Shang Fang Yu Zheng Zi Di No. 0131 and 99 Dongguan Shang Fang Yu Zheng Zi Di No. 0102, the total gross floor area of the property is 6,534 sq.m. (70,332 sq.ft. approximately) for sale within the PRC. (However, please see Note 8(iv) regarding this gross floor area).	As at the date of valuation, all of the floors in the building, which comprise the property are vacant.	HK$12,100,000

Notes:

1. According to the Real Estate Development Cooperation Agreement (合作開發房地產協議書), (the "Agreement") dated 21st August, 1993, entered into between Guangdong Province Dongguan City Heng Li Zhen Heng Li Xia Cun (廣東省東莞市橫瀝鎮橫瀝下村), ("Party A") and Anwill Investments Limited (正橋發展有限公司), ("Party B") both Parties agree to co-operate to develop the land which has an area of 780 sq.m. for commercial/residential use. Party A provides the land while Party B provides construction and development costs to construct a building (now known as Fu Rong Building) with the 1st level (ground floor) for shop/retail space, the 2nd level (1st floor) for commercial arcade and 3rd to 7th levels (2nd to 6th floors) for residential purposes. After the completion of the building, Party B has to allocate all the shop units on 1st level (ground floor) to Party A without any conditions as his part of the investment share from the project. In addition, Party B has to pay Party A the sum of RMB500,000 to cover part of the decoration costs for the shop units.

   After obtaining all the ground floor shop units, Party A has to sell two of the units of about 50 sq.m. each, located in the middle part of the building to Party B for Party B to use them as entrance to and exit from the 2nd level (1st floor) of the building.

According to the above-mentioned Agreement, with the exception of the 1st level (ground floor) of the subject building, the ownership of the 2nd to 7th levels (1st to 6th floors) of the building shall be vested in Party B. Party B has the right to perform whatever transactions in respect of the aforesaid units on the 2nd to 7th levels (1st to 6th floors) of the building.

Both Parties have agreed that the Agreement will be effective after obtaining the Government's permission to develop the land. However, since the Commodity House Construction Permit 94 Dongguan Shang Fang Zheng Zi Di No. 0150 dated 13th August, 1994, issued by the Dongguan Municipal Construction Committee has been obtained, this implies that the aforementioned condition as stated in the Agreement has been fulfilled.

We are advised by the Group that Party A and its ultimate beneficial owners is independent of and not connected with Party B (a wholly-owned subsidiary of the Company) and the Company and their respective ultimate beneficial owners.

2. According to the State-owned Land Use Certificate – Dong Fu Guo Yong (1995) Zi Di Te No. 53 (國有土地使用證 – 東府國用(1995)字第特53 號) dated 15th March, 1995 issued by the People's Government of Dongguan Municipality, the land has an area of 780 sq.m. (8,396 sq.ft. approximately) with a lease term of 70 years commencing in May 1994 and expiring in May 2064 for residential/commercial purposes. The land user is Dongguan City Heng Li Zhen Real Estate Development Company (東莞市横瀝鎮房地產開發公司).

3. According to the Commodity House Ownership Right Certificate No. 1174 (商品房屋產權權屬證明書號碼1174) dated 10th August, 2001 issued by the Dongguan Municipal Housing Registry, the title of the property is vested in Heng Li Zhen Real Estate Development Company (東莞市横瀝鎮房地產開發公司). The height of the building is seven storeys with a total gross floor area of 6,808.50 sq,m. (73,287 sq.ft. approximately).

4. According to the Construction Project Planning Permit (建設工程規劃許可證) dated 12th August, 1994 issued by the People's Government of Dongguan Municipal Heng Li Zhen, the gross floor area of the building is 6,008 sq.m. (64,670 sq.ft. approximately).

5. According to the Commodity House Construction Permit – 94 Shang Fang Zheng Zi Di No. 0150 (商品房建設准建證94商房證字第0150號) dated 13th August, 1994 issued by the Dongguan Municipal Construction Committee, the gross floor area which is permitted to be constructed on the land which has an area of 780 sq.m. is 6,634 sq.m. (71,408 sq.ft. approximately). Construction of the building commenced in August, 1994 and completed in August, 1995.

6. There are two Dongguan City Commodity House Pre-sale Permits in respect of the property. The first is for Heng Cai Building (横財大廈) and the second is for Fu Rong Building (富榮大廈). According to the first Dongguan Municipal Commodity House Pre-sale Permit – 94 Dongguan Shang Fang Yu Zheng Zi Di No. 0131 (商品房預售許可證 – 94東莞商房預證字第0131號) dated 26th September, 1994 issued by the Dongguan Municipal Construction Committee, the building has a gross floor area of 6,534 sq.m. (70,332 sq.ft. approximately). According to the second Dongguan Municipal Commodity House Pre-sale Permit – 99 Dongguan Shang Fang Yu Zheng Zi Di No. 0102 (商品房預售許可證 – 99東莞商房預證字第0102號) dated 5th August, 1999 also issued by the Dongguan Municipal Construction Committee, the building also has a gross floor area of 6,534 sq.m. (70,332 sq.ft. approximately). Both of the aforementioned Permits state that the property is for sale in the PRC. As the name of the building has been changed to Fu Rong Building, the second Permit is now applicable to the property.

7. There is a letter issued by Dongguan City Heng Li Zhen Real Estate Development Company (東莞市横瀝鎮房地產開發公司) ("Dongguan Heng Li") dated 13th April, 2007 which recognised and confirmed that the above-mentioned Agreement issued on 21st August, 1993 is still valid until further notice and that all the related rights, obligations and legal responsibilities of Dongguan City Heng Li Zhen Heng Li Xia Cun (東莞市横瀝鎮横瀝鎮横瀝下村) as stated in the above-mentioned Agreement shall be borne by Dongguan Heng Li. Dongguan Heng Li also stated in the letter that in accordance with the Agreement, it holds the property (Fu Rong Building) on behalf of Anwill Investments Limited.

The property (Fu Rong Building) was originally purchased by Anwill Investments Limited for the purpose of forming a joint venture company with Dongguan Heng Li in which the property (Fu Rong Building) will be held in the name of Dongguan Heng Li. However, the proposed joint venture company had not been formed. In order to save time and costs and to maintain a good business relationship with Dongguan Heng Li, the property (Fu Rong Building) continues to be held in the name of Dongguan Heng Li on behalf of Anwill Investments Limited. The Group has obtained confirmation from its PRC legal advisers that the holding of the property (Fu Rong Building) by Dongguan Heng Li on behalf of Anwill Investments Ltd. will not contravene the PRC law. The property (Fu Rong Building) has been recorded in the books of the Group.

8. We have relied on all the information as provided by the Group and the legal opinion of Allied Law Firm, the Group's PRC lawyers, and have prepared our valuation on the following bases:

(i) The owner or lessee of the property is Dongguan Heng Li (the beneficial owner of Dongguan Heng Li is Heng Li Zhen Government) which is in possession of a legal title to the property and is entitled to transfer or lease the property with the residual lease term of the land use right at no additional premium or other costs payable to the government.

(ii) All land premium and other costs relating to the provision of utilities and ancillary services have been or will be completely settled.

(iii) The design and construction of the building are in compliance with local planning regulations and have been approved by the relevant government authorities.

(iv) Although the total gross floor area of the development as stated in the above-mentioned Dongguan City Commodity House Pre-sale Permit is 6,534 sq.m., it appears that this area has exceeded the total gross floor area of the property which is a 7-storey building erected on a site of 780 sq.m. Even on the basis of full site coverage, the gross floor area of the property should not exceed 5,460 sq.m. On this assumption therefore, the total gross floor area of the building is estimated to be approximately 5,460 sq.m. As no legal opinion on this discrepancy is forthcoming from the Group's PRC lawyers and as the Group is unable to verify the discrepancy, we are instructed by the Group to base our valuation on a total gross floor area of 5,460 sq.m. assuming that this gross floor area is on the basis of full site coverage.

(v) Our valuation of the property is based on the assumption that the property is capable of being transferred to Party B or any other third party.

(vi) Our valuation of the property is based on a 100 per cent attributable interest.

(vii) The property may be disposed of freely to purchasers within and outside the PRC.

9. The status of title of the property interest, as well as requisite approvals, consents, certificates, permits and licences relating to the development, use and sale of the property interest in accordance with the information provided by the Group and the legal opinion of the Group's PRC lawyers are as follows:

Real Estate Development Cooperation Agreement dated 21st August, 1993	– signed
State-owned Land Use Certificate – Dong Fu Guo Yong (1995) Zi Di Te No. 53	– obtained
Commodity House Ownership Right Certificate No. 1174	– obtained
Construction Project Planning Permit	– obtained
Commodity House Construction Permit – 94 Shang Fang Zheng Zi Di No. 0150	– obtained
Dongguan Municipal Commodity House Pre-sale Permit – 94 Dongguan Shang Fang Yu Zheng Zi Di No. 0131	– obtained
Dongguan Municipal Commodity House Pre-sale Permit – 99 Dongguan Shang Fang Yu Zheng Zi Di No. 0102	– obtained
Business Licence (in respect of Dongguan City Heng Li Zhen Real Estate Development Company)	– obtained

The following is the text of a letter prepared for the purpose of incorporation in this circular received from BMI Appraisals Limited, an independent valuer, in connection with its valuation as at 30 November 2007 of the market values of a 100% equity interest in Profit Forest Limited and Sky Advantage Limited.

BMI APPRAISALS

BMI Appraisals Limited 中和邦盟評估有限公司

Suite 06-12, 33/F., Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong
香港灣仔港灣道6-8號瑞安中心3306-12室
Tel電話：(852) 2802 2191 Fax傳真：(852) 2802 0863
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13 February 2008

The Directors
Neptune Group Limited
Units 1205-6, 12th Floor
Office Tower Two, The Harbourfront
Nos. 18-22 Tak Fung Street, Hunghom
Kowloon, Hong Kong

Dear Sirs,

INSTRUCTIONS

We refer to the instructions from Neptune Group Limited (referred to as the "Company") for us to provide our opinion on the market values of a 100% equity interest in Profit Forest Limited (referred to as "Profit Forest") and Sky Advantage Limited (referred to as "Sky Advantage") (together referred to as the "Appraised Companies") respectively as at 30 November 2007 (the "date of valuation").

This report describes the backgrounds of the Appraised Companies and the basis of valuation and assumptions. It also explains the valuation methodology utilized and presents our conclusion of values.

PURPOSE OF VALUATION

We understand that the purpose of our valuations is to express an independent opinion on the market values of the Appraised Companies as at 30 November 2007 for your public documentation reference purposes only.

BASIS OF VALUATION

Our valuations were carried out on the basis of market value. Market value is defined as "*the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion*".

BACKGROUND OF THE APPRAISED COMPANIES

Profit Forest was incorporated on 6 July 2007 and is an investment holding company. The main asset of Profit Forest is Hao Cai Sociedade Unipessoal Limitada (referred to as "Hao Cai") in which its main revenue is 0.4% of the rolling turnover generated by Hao Cai and/or its customers at Vernetian Macau, S.A. gaming rooms. There are twelve gaming tables operated under Hao Cai in the gaming room.

Sky Advantage is an investment holding company and is wholly owned by Faith Mount Limited. The main asset of Sky Advantage is Neptune Ouro Sociedade Unipessoal Limitada (referred to as "Neptune Ouro") in which its main revenue is 0.4% of the rolling turnover generated by Hao Cai and/or its customers at Vernetian Macau, S.A. gaming rooms. There are four gaming tables operated under Neptune Ouro in the gaming room.

BRIEF INDUSTRY OVERVIEW

The gaming industry is now a vital industry of Macau. Recently, Macau has been ahead of Las Vegas in the USA and has become the largest gaming city in the world. Based on the gaming statistics, the revenue generated by the gaming activities is growing steadily at an average growth rate of approximately 23% each year for the period between 2002 and 2006. The total revenue from gaming activities increased from MOP23,496 million in 2002 to MOP57,521 million in 2006 and the revenue from the gaming activities for the first three quarters of 2007 amounted to MOP58,905 million.

One of the factors contributing to the strong growth is the liberalization of the industry and entry of new players. The new players have opened more new casinos, which drive more visitors to Macau and hence generate more gaming revenue. Another reason for the strong growth is the increase of total number of visitors in Macau, especially the increase of the PRC visitors, there will be greater demand for casinos as gaming is a popular leisure activity and Chinese have preference in gaming. According to the Macau Statistics and Census Service, the number of visitors to Macau increased significantly from approximately 9.2 million in 2000 to 22 million in 2006. During the same period, visitors from the PRC increased from approximately 2.3 million to 12 million.

According to the gaming statistics, there are different game types of games of fortune that generate revenue in Macau. By far, Baccarat is the most popular game type. The gross revenue generated from VIP Baccarat, Baccarat and Mini Baccarat for the first three quarters of 2007 are MOP38,875 million, MOP11,614 million and MOP216 million respectively. Other popular game types include Cussec, Black Jack, Slot Machines and Fish-Prawn-Crab.

SOURCE OF INFORMATION

For the purpose of our valuations, we were furnished with the financial and operational data related to the Appraised Companies, which was provided by the senior management of the Company.

The valuations of the Appraised Companies required consideration of all pertinent factors affecting the economic benefits of the Appraised Companies and its abilities to generate future investment returns. The factors considered in the valuations included, but not limited to the following:

- The business nature of the Appraised Companies;
- The financial and operational information of the Appraised Companies;
- The specific economic environment and competition for the market in which the Appraised Companies are exposed to; and
- The financial and business risks of the Appraised Companies, including the continuity of income and the projected future results.

SCOPE OF WORKS

In the course of our valuations work for the Appraised Companies, we have conducted the following steps to evaluate the reasonableness of the adopted bases and assumptions provided by the senior management of the Company:

- Interviewed with the senior management of the Company;
- Obtained all relevant financial and operational information of the Appraised Companies;
- Performed market research and obtained statistical figures from public sources;
- Examined all relevant bases and assumptions of both the financial, operational and geologic information of the Appraised Companies, which were provided by the senior management of the Company;
- Prepared a business financial model to derive the indicated values of the Appraised Companies; and
- Presented all relevant information on the backgrounds of the Appraised Companies, valuation methodology, source of information, scope of works, major assumptions, comments and our conclusion of values in this report.

VALUATION ASSUMPTIONS

Due to the changing environment in which the Appraised Companies are exposed to, a number of assumptions had to be established in order to sufficiently support our concluded opinion of values of the Appraised Companies. The major assumptions adopted in our valuations were:

- There will be no major changes in the existing political, legal, and economic conditions in the jurisdiction where the Appraised Companies are currently or will be exposed to, which will materially affect the revenues attributable to the Appraised Companies;

- There will be no major changes in the current taxation law in the jurisdiction related to the Company, that the rates of tax payable remain unchanged and that all applicable laws and regulations will be complied with;

- The financial information in respect of the Appraised Companies have been prepared on a reasonable basis, reflecting estimates that have been arrived at after due and careful considerations by the senior management of the Company; and

- Economic conditions will not deviate significantly from economic forecasts.

VALUATION METHODOLOGY

Three generally accepted valuation methodologies have been considered in valuing the Appraised Companies. They are the market approach, the cost approach and the income approach.

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

The cost approach provides indications of value by studying the amounts required to recreate the asset for which a value conclusion is desired. This approach seeks to measure the economic benefits of ownership by quantifying the amount of fund that would be required to replace the future service capability of the asset.

The income approach is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for the asset than an amount equal to the present worth of anticipated future benefits from the same or a substantially similar asset with a similar risk profile.

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

We used the market approach by referring to the recent sale and purchase transactions (referred to as the "Comparable Transactions") of other companies under the same industry in terms of their business nature, turnover bases and locations during the period from July 2006 to February 2007. All Comparable Transactions occurred in Macau, and they all operate junket representative business and receive the same commission bases (i.e. 0.4% of the rolling turnover). Besides, they are the only relevant transactions that occurred in the market which are considered as a complete list of transactions by using our best effort.

We then estimated the market values of the Appraised Companies by considering the profit guarantee with reference to the Comparable Transactions.

The following shows the details of the Comparable Transactions:

Date of circular	Time of Transaction	Acquirer	Stock Code	Location	Consideration *(HK$)*	Adjusted Profit Guarantee 2008 *(HK$)*	Adjusted Profit Guarantee 2009 *(HK$)*	Consideration/ Adjusted Profit Guarantee 2008	Consideration/ Adjusted Profit Guarantee 2009
28 June 2007	July 2006	Long Success International (Holdings) Limited	8017	Macau	230,200,000	31,500,000	31,500,000	7.31	7.31
22 May 2007	February 2007	Teem Foundation Group Limited	628	Macau	765,000,000	127,500,000	140,250,000	6.00	5.45
6 December 2007	August 2007	China Star Entertainment Limited	326	Macau	538,000,000	98,091,018	97,121,739	5.48	5.54
7 December 2007	October 2007	China Star Entertainment Limited	326	Macau	516,900,000	94,244,311	93,313,043	5.48	5.54
						Average	**6.07**	**5.96**	

Source: Hong Kong Stock Exchange Website

The details of the calculations are shown in the following:

Profit guarantee for Profit Forest in 2008 = HK$207,750,000
Market Value of Profit Forest base on ratio in 2008 = 207,750,000 x 6.07 = HK$1,260,000,000

Profit guarantee for Profit Forest in 2009 = HK$245,250,000
Market Value of Profit Forest base on ratio in 2009 = 245,250,000 x 5.96 = HK$1,460,000,000

Market Value of Profit Forest = (1,260,000,000 + 1,460,000,000)/2 = 1,360,000,000

Profit guarantee for Sky Advantage in 2008 = HK$69,250,000
Market Value of Sky Advantage base on ratio in 2008 = 69,250,000 x 6.07 = HK$420,000,000

Profit guarantee for Sky Advantage in 2009 = HK$81,750,000
Market Value of Sky Advantage base on ratio in 2009 = 81,750,000 x 5.96 = HK$487,000,000

Market Value of Sky Advantage = (420,000,000 + 487,000,000)/2 = 450,000,000

VALUATION COMMENTS

For the purpose of these valuations and in arriving at our opinion of values, we have referred to the information provided by the senior management of the Company and the information of the Comparable Transactions to estimate the values of the Appraised Companies. We have also sought and received confirmation from the Company that no material facts have been omitted from the information supplied.

To the best of our knowledge, all data set forth in this report are true and accurate. Although gathered from reliable sources, no guarantee is made nor liability assumed for the accuracy of any data, opinions, or estimates identified as being furnished by others, which have been used in formulating this analysis.

REMARKS

Further, whilst the assumptions and consideration of such matters are considered by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Company or us.

Unless otherwise stated, all money amounts stated are in Hong Kong Dollars (HK$).

CONCLUSION OF VALUES

Our conclusion of values is based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of a lot of uncertainties, not all of which can be easily ascertained or quantified.

Further, whilst the assumptions and consideration of such matters are considered by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Company or us.

Based on our investigation and analysis outlined in this report, it is our opinion that the market values of the 100% equity interest in Profit Forest Limited and Sky Advantage Limited respectively as at 30 November 2007 were **HK$1,360,000,000 (HONG KONG DOLLARS ONE THOUSAND THREE HUNDRED AND SIXTY MILLION ONLY) and HK$450,000,000 (HONG KONG DOLLARS FOUR HUNDRED AND FIFTY MILLION ONLY)**.

We hereby certify that we have neither present nor prospective interest in the Company, the Appraised Companies or the values reported.

Yours faithfully,
For and on behalf of
BMI APPRAISALS LIMITED
Dr. Tony Cheng
BSc, MUD, MBA(Finance), MSc(Eng), PhD(Econ), MHKIS, MCIArb, AFA, SIFM, FCIM, MASCE, MIET, MIEEE, MASME, MIIE
Director

Note:

Dr. Tony Cheng is a member of the Hong Kong Institute of Surveyors (General Practice), a member of the American Society of Civil Engineers, a member of the American Society of Mechanical Engineers and a member of Institute of Industrial Engineers (U.K.). He has about 15 years' experience in valuing similar assets or companies engaged in similar business activities as that of the Appraised Companies worldwide.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. SHARE CAPITAL

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

3. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

(a) Shares

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"), to be notified to the Company and the Stock Exchange, was as follows:

Name of Director	Nature of Interest	Total number of Shares held	Approximate percentage over all issued Shares
Mr. Lin Cheuk Fung	Personal Interest	375,000,000 (L)	15.58%

L: Long Position

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions, if any, which they were taken or deemed to have under such provisions of the SFO); (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to in such provisions of the SFO; or (iii) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

(b) Options

The Company operates a share option scheme (the "Scheme") under which the directors may, at their discretion, grant options to employees, including any of the directors of the Company, to subscribe for shares in the Company, subject to the stipulated terms and conditions. Details of the share options granted to Company's Directors under the Scheme as at the Latest Practicable Date are as follows:

Name of Director	Number of share options held	Percentage of issued option
Mr. Lin Cheuk Fung	90,000	1.02%
Mr. Chan Shiu Kwong, Stephen	88,000	1.00%
Mr. Lau Kwok Hung	88,000	1.00%
Mr. Wan Yau Shing, Ban	3,000,000	33.93%

Save as disclosed above, none of the Company's Directors and chief executives, or their spouses or children under the age of 18, had any rights to subscribe for the securities of the Company or had exercised any such rights during the year.

4. INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would fall to be disclosed under provisions of Division 2 and 3 of Part XV of the SFO, or who, as at the Latest Practicable Date, was directly and indirectly interested in ten per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member the Enlarged Group:

Name of Shareholder	Capacity	Total number of Shares held	Approximate percentage over all issued Shares
Jumbo Boom Holdings Limited *(Note)*	Beneficial Owner	310,817,678 (L)	12.91%
Mr. Cheung Chi Tai *(Note)*	Interest in Controlled Corporation	310,817,678 (L)	12.91%

L: Long Position

Note: Jumbo Boom Holdings Limited is wholly and beneficially owned by Mr. Cheung Chi Tai, an Independent Third Party.

Save as disclosed above, there are no persons (other than a Director or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would fall to be disclosed under provisions of Division 2 and 3 of Part XV of the SFO, or who, as at the Latest Practicable Date, was directly and indirectly interested in ten per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member the Enlarged Group.

5. DIRECTORS' OTHER INTERESTS

As at the Latest Practicable Date, none of the Directors nor their respective associates had any business or interest that competes or may compete with the business of the Group or any other conflicts of interest with the Group.

There is no contract or arrangement entered into by any member of the Enlarged Group subsisting at the date of this circular in which any Director is materially interested and which is significant to the business of the Enlarged Group.

6. LITIGATION

As at the Latest Practicable Date, none of the members of the Enlarged Group was engaged in any litigation or claims of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Enlarged Group.

7. SERVICES CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any service contracts with any member of the Group which was not determinable by such member of the Group within one year without payment of compensation other than statutory compensation.

8. EXPERTS AND CONSENTS

The followings are the qualifications of the experts who have given opinion and advice, which is contained in this circular (the "Experts"):

Name	Qualification
HLB Hodgson Impey Cheng	Chartered Accountants, Certified Public Accountants
BMI Appraisals Limited	Professional Business Valuer
Greater China Appraisal Limited	Chartered Surveyors
Chung, Chan & Associates	Chartered Surveyors
Robertsons	Legal advisers as to Hong Kong law
Leung Hon Man Law Office	Legal advisers as to Macau law
Allied Law Firm	Legal advisers as to PRC law

Each of the Experts has given and has not withdrawn their written consent to the issue of this circular with the inclusions of their respective letters and references to their names in the form and context in which they appear.

9. EXPERT'S INTEREST IN ASSETS

As at the Latest Practicable Date, each of the Experts:

(a) was not interested, directly or indirectly, in any assets which have been acquired or disposed of by or leased to an member of the Enlarged Group or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group since 30th June, 2007, being the date to which the latest published audited accounts of the Company were made up; and

(b) did not have any shareholding interest in any member of the Enlarged Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group.

10. MATERIAL ADVERSE CHANGE

The Directors confirm that, as at the Latest Practicable date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 30th June, 2007, being the date to which the latest published audited accounts of the Company were made up.

11. MISCELLANEOUS

(a) The registered office and the principal place of business of the Company is Units 1205-6, Office Tower Two, The Harbourfront, 18-22 Tak Fung Street, Hunghom, Kowloon, Hong Kong.

(b) The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited of Room 1806-7, 18th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(c) The Secretary of the Company is Mr. Lau Kwok Hung who is a fellow of the Hong Kong Institute of Certified Public Accountants.

(d) The qualified accountant of the Company is Mr. Chan Shiu Kwong, Stephen who is a member of Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Secretaries and Administrators, the Hong Kong Institute of Company Secretaries and fellow of CPA (Australia).

(e) The English text of this circular shall prevail over the Chinese text in the event of inconsistency.

12. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by the members of the Enlarged Group within the two years immediately preceding the Latest Practicable Date:

(i) an agreement dated 12th December, 2006 entered into by the Company and Hoi Tak Shipping Ltd. for an advance of HK$17,500,000 on the term of repayment date on 30th June, 2007 at an interest rate 9.5% per annum;

(ii) an agreement dated 8th January, 2007 entered into between the Company and Champion Forest Source Holdings Company Limited for an advance of HK$17,500,000 on the term of repayment not longer than 5 months from the drawdown date at an interest rate of 9.5% per annum;

(iii) an agreement dated 16th January, 2007 entered into between the Company, Mr. Guo, Hou Wan and Certain Champ Limited relating to the acquisition of the entire issued share capital of Credible Limited;

(iv) an underwriting agreement dated 16th January, 2007 entered into between the Company, Jumbo Boom Holdings Limited and Kingston Securities Limited relating to the open offer by the Company of 719,881,500 Shares;

(v) an agreement dated 8th May, 2007 entered into between the Company, Ms. Lao Sio Meng and Hoi Seng Sociedade Unipessoal Limitada relating to the acquisition of the entire issued share capital of Koppert International Limited;

(vi) a subscription agreement dated 23rd July, 2007 entered into between the Company and Mr. Lin Cheuk Fung regarding the subscription of the 247,600,000 new shares in the Company;

(vii) the Share Acquisition Agreement I; and

(viii) the Share Acquisition Agreement II.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the head office and principal place of business of the Company at Units 1205-6, 12/F., Office Tower Two, The Harbourfront, 18-22 Tak Fung Street, Hunghom, Kowloon, Hong Kong during normal business hours on any weekday other than public holidays, up to and including the date of the EGM :

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

(b) the material contracts referred to in the paragraph headed "Material Contracts" to this Appendix;

(c) the service contracts referred to in the paragraph headed "Service Contracts" in this circular;

(d) the annual reports of the Group for the three financial years ended 30th June;

(e) a copy of each of the circulars issued by the Company pursuant to the requirements set out in Chapter 14 and/or 14A of the Listing Rules since 30th June, 2007 (being the date to which the latest published audited consolidated financial statements of the Group was made up);

(f) the accountants' report on Profit Forest, the text of which is set out in Appendix II to this circular;

(g) the accountants' report on Sky Advantage, the text of which is set out in Appendix II to this circular;

(h) the letter from HLB Hodgson Impey Cheng in respect of the pro-forma financial information set out in Appendix IV to this circular;

(i) the property valuation report prepared by Greater China Appraisal Limited, the text of which is set out in Appendix V to this circular;

(j) the property valuation reports prepared by Chung, Chan & Associates, the text of which is set out in Appendix V to this circular;

(k) the asset valuation report prepared by BMI Appraisals Limited, the text of which is set out in Appendix VI to this circular;

(l) the written consents from the experts referred to in the paragraph headed "Experts" in this appendix;

(m) all legal opinions referred to in this circular;

(n) the Share Acquisition Agreement I;

(o) the Share Acquisition Agreement II; and

(p) this circular.

NEPTUNE GROUP LIMITED
海王集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 70)

NOTICE IS HEREBY GIVEN that the extraordinary general meeting of Neptune Group Limited (the "Company") will be held at Unicorn & Phoenix Room, The Charterhouse, 209-219 Wanchai Road, Hong Kong on Friday, 7th March, 2008 at 10:00 a.m. for the purpose of consideration and, if thought fit, passing with or without modification the following ordinary resolutions and a special resolution of the Company:

ORDINARY RESOLUTIONS

1. "**THAT**

(a) the conditional sale and purchase agreement dated 16th November, 2007 entered into among Stand Great Limited as purchaser, Ultra Choice Limited as vendor and warrantor and Ms. Lei In Peng as warrantor relating to the acquisition of a 85% of the total issued share capital of Profit Forest Limited (the "Share Acquisition Agreement I") at an aggregate consideration of HK$1,144,440,000 (a copy of which has been produced to the meeting marked "A" and signed by the Chairman of the meeting for the purpose of identification) be and is hereby approved, ratified and confirmed in all respects and that all transactions contemplated under the Share Acquisition Agreement I be and is hereby approved and that any one director of the Company be and is hereby authorised to do or execute all such acts or such other documents which the director may deem to be necessary, desirable or expedient to carry into effect or to give effect to the Share Acquisition Agreement I and all transactions contemplated under the Share Acquisition Agreement I;

(b) subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting the listing of and permission to deal in the Consideration Shares I (as defined below), the directors of the Company be and are hereby authorised to allot and issue an aggregate of up to 720,000,000 new Shares (the "Consideration Shares I") in the authorised share capital of the Company at HK$0.30 per Consideration Shares I and credited as fully paid upon completion of the Share Acquisition Agreement I, and that the Consideration Shares I shall, when allotted and issued, rank pari passu in all respects with all other shares in the Company in issue on the date of such allotment and issue, and that any directors of the Company be and are hereby authorised to do all things and acts and sign all documents which they consider necessary, desirable or expedient in connection with the issue of the Consideration Shares I; and

(c) subject to and conditional upon, among others, the granting by the Listing Committee of the Stock Exchange of the listing of and permission to deal in the Conversion Shares I (as defined below), the allotment and issue of up to 2,820,000,000 new shares (the "Conversion Shares I") of HK$0.30 each in the share capital of the Company upon exercise of the conversion rights attaching to convertible bond in the principal amount of HK$846,000,000 to be issued by the Company in favour of Ultra Choice Limited upon completion of the Share Acquisition Agreement I (the "Convertible Bond I") be and is hereby approved and the Directors be and are hereby authorised to allot and issue the Conversion Shares I pursuant to and in accordance with the Convertible Bond I, and that the Directors be and are hereby authorised to do all such acts and things as they consider necessary, desirable or expedient in connection with the issue of the Convertible Bond I and the allotment and issue of the Conversion Shares I upon exercise of the conversion rights attaching to the Convertible Bond I."

2. "**THAT**

(a) the conditional sale and purchase agreement dated 16th November, 2007 entered into among Hero Will Limited as purchaser, Faith Mount Limited as vendor and warrantor and Ms. Luu Muoi Heng as warrantor relating to the acquisition of a 85% of the total issued share capital of Sky Advantage Limited (the "Share Acquisition Agreement II") at an aggregate consideration of HK$381,480,000 (a copy of which has been produced to the meeting marked "B" and signed by the Chairman of the meeting for the purpose of identification) be and is hereby approved, ratified and confirmed in all respects and that all transactions contemplated under the Share Acquisition Agreement II be and is hereby approved, and that any one director of the Company be and is hereby authorised to do or execute all such acts or such other documents which the director may deem to be necessary, desirable or expedient to carry into effect or to give effect to the Share Acquisition Agreement II and all transactions contemplated under the Share Acquisition Agreement II;

(b) subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting the listing of and permission to deal in the Consideration Shares II (as defined below), the directors of the Company be and are hereby authorised to allot and issue an aggregate of up to 720,000,000 new Shares (the "Consideration Shares II") in the authorised share capital of the Company at HK$0.30 per Consideration Shares II and credited as fully paid upon completion of the Share Acquisition Agreement II, and that the Consideration Shares II shall, when allotted and issued, rank pari passu in all respects with all other shares in the Company in issue on the date of such allotment and issue, and that any directors of the Company be and are hereby authorised to do all things and acts and sign all documents which they consider necessary, desirable or expedient in connection with the issue of the Consideration Shares II; and

(c) subject to and conditional upon, among others, the granting by the Listing Committee of the Stock Exchange of the listing of and permission to deal in the Conversion Shares II (as defined below), the allotment and issue of up to 460,000,000 new shares (the "Conversion Shares II") of HK$0.30 each in the share capital of the Company upon exercise of the conversion rights attaching to convertible bond in the principal amount of HK$138,000,000 to be issued by the Company in favour of Faith Mount Limited upon completion of the Share Acquisition Agreement II (the "Convertible Bond II") be and is hereby approved and the Directors be and are hereby authorised to allot and issue the Conversion Shares II pursuant to and in accordance with the Convertible Bond II, and that the Directors be and are hereby authorised to do all such acts and things as they consider necessary, desirable or expedient in connection with the issue of the Convertible Bond II and the allotment and issue of the Conversion Shares II upon exercise of the conversion rights attaching to the Convertible Bond II."

3. "**THAT** the authorised share capital of the Company be increased from HK$1,000,000,000 comprising 5,000,000,000 shares of par value of HK$0.20 each to HK$10,000,000,000 comprising 50,000,000,000 shares of par value of HK$0.20 each by the creation of 45,000,000,000 new shares of par value of HK$0.20 each (the "Capital Increase") and that any one director of the Company be and is hereby authorised to do all such things and acts as he/she may in his discretion consider as necessary, expedient or desirable for the purpose of or in connection with the Capital Increase."

SPECIAL RESOLUTION

"**THAT** subject to the approval of the Registrar of Companies in Hong Kong being obtained, the Chinese name of the Company be changed from "海王集團有限公司" to "海王國際集團有限公司" with effect from the date of entry of the new Chinese name on the register maintained by the Registrar of Companies in Hong Kong and that the board of directors of the Company be and is hereby authorized to take all necessary actions to implement such change of name."

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

Hong Kong, 13th February, 2008

Head office and principal place of business in Hong Kong:
Units 1205-6, 12/F
Office Tower Two
The Harbourfront
18-22 Tak Fung Street
Hunghom, Kowloon
Hong Kong

Notes:

1. A form of proxy for use at the meeting is enclosed herewith.

2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of any officer, attorney or other person authorised to sign the same.

3. Any shareholder of the Company entitled to attend and vote at the meeting convened by the above notice shall be entitled to appoint one or more proxies to attend and vote instead of him. A proxy needs not be a shareholder of the Company.

4. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney or authority, must be deposited at the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Room 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding of the above meeting or any adjournment thereof.

5. Completion and return of the form of proxy will not preclude a shareholder of the Company from attending and voting in person at the meeting convened or at any adjourned meeting and in such event, the form of proxy will be deemed to be revoked.

6. Where there are joint holders of any share of the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the meeting, the most senior shall alone be entitled to vote, whether in person or by proxy. For this purpose, seniority shall be determined by the order in which the names stand on the register of members of the Company in respect of the joint holding.