THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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MEXAN LIMITED
茂盛控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 22)

PROPOSAL IN RESPECT OF THE GROUP REORGANISATION, THE SPECIAL CASH DIVIDEND, THE TERMINATION DEED AND THE DEED OF NOVATION

Financial adviser to Mexan Group Limited

SOMERLEY LIMITED

Independent financial adviser to
the Independent Board Committee and the Independent Shareholders

Hercules

Hercules Capital Limited

A letter of recommendation from the Independent Board Committee and a letter of advice from Hercules Capital Limited in respect of the Proposal are set out on page 18 and pages 19 to 43 of this circular.

A notice convening a special general meeting of **MEXAN LIMITED** to be held at Mexan Café, Level 5, Mexan Harbour Hotel, No. 1 Tsing Yi Road, Tsing Yi, New Territories, Hong Kong on Thursday, 12 April 2007 at 10:00 a.m. is set out on pages 275 to 277 of this circular. Whether or not you are able to attend the meeting in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar, Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, as soon as practicable but in any event not later than 48 hours before the time appointed for the holding of the meeting. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting or any adjournment thereof should you so desire.

17 March 2007

* *For identification purposes only*

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

"acting in concert"	the meaning defined in the Takeovers Code
"Announcement"	the joint announcement of the Company, the Vendor, Inventive and the Offeror in respect of the Proposal, the Mexan Offer and the Privateco Offer dated 16 February 2007
"associates"	the meaning defined in the Listing Rules
"Beilun Company"	寧波北侖港高速公路有限公司(Ningbo Beilun Port Expressway Company Limited), a wholly foreign owned enterprise established in the PRC and a wholly-owned subsidiary of Inventive
"Board"	the board of Directors
"BOCI"	BOCI Asia Limited, a corporation licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities for the purposes of the SFO, and the financial adviser to the Offeror
"BVI"	British Virgin Islands
"City Promenade"	City Promenade Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company, which is the registered owner of the Properties and is principally engaged in the Remaining Business
"Company"	MEXAN LIMITED, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
"Completion"	completion of the Share Sale Agreement
"Completion Date"	the date of Completion
"connected persons"	the meaning defined in the Listing Rules
"Consideration"	the cash consideration of HK$102,917,303.93 payable by the Offeror to the Vendor for the Sale Shares pursuant to the Share Sale Agreement
"Directors"	the directors of the Company from time to time

"Distributed Businesses"	all businesses of the Group, other than the Remaining Business, carried on by the Inventive Group including the Group's toll road operation and management as well as investment holding
"Executive"	the Executive Director of the Corporate Finance Division of the SFC and any delegate of the Executive Director
"Family Member(s)"	immediate family member(s)
"Group"	the Company and its existing subsidiaries
"Group Reorganisation"	the proposed group reorganisation for the Group pursuant to which: (i) the Company will continue to be a listed company and the Remaining Group will be carrying on the Remaining Business; (ii) the Inventive Group will be carrying on the Distributed Businesses; and (iii) the Shareholders will receive by way of distribution in specie the Inventive Shares on the basis of one Inventive Share for each Share held
"Hercules"	Hercules Capital Limited, a corporation licensed under the SFO to carry out Type 6 (advising on corporate finance) regulated activity for the purposes of the SFO, and the independent financial adviser to the Indepenent Board Committee and the Independent Shareholders in respect of the Proposal
"HK$"	Hong Kong dollars
"Hotel"	Mexan Harbour Hotel located at Hotel 2, Rambler Crest, No. 1 Tsing Yi Road, Tsing Yi, New Territories, Hong Kong
"Independent Board Committee"	the independent board committee of the Company, comprising all of the independent non-executive Directors, established to advise the Independent Shareholders in respect of the Proposal
"Independent Shareholders"	the Shareholders other than the Vendor, the Offeror, their respective associates and parties acting in concert with each of the Vendor and the Offeror (including the Directors)
"Inventive"	INVENTIVE LIMITED, a company incorporated in Bermuda with limited liability and a wholly-owned subsidiary of the Company
"Inventive Group"	Inventive and its subsidiaries
"Inventive Shareholders"	holders of the Inventive Shares

"Inventive Share(s)"	ordinary share(s) of HK$0.10 each in the issued share capital of Inventive
"Last Trading Day"	2 January 2007, being the last day on which the Shares were traded on the Stock Exchange prior to suspension of trading in the Shares pending release of the Announcement
"Latest Practicable Date"	14 March 2007, being the latest practicable date for ascertaining certain information included in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Mexan Offer"	the possible mandatory unconditional cash offer to be made by BOCI on behalf of the Offeror to acquire all the Shares other than those already held or agreed to be acquired by the Offeror and parties acting in concert with it, ex-entitlements to the proposed distribution in specie of the Inventive Shares pursuant to the Group Reorganisation and the Special Cash Dividend
"Mexan Offer Document"	the offer and response document (in either composite or separate forms) and the form of acceptance and transfer to be despatched to the Shareholders pursuant to the Mexan Offer
"Mr. Lau"	Mr. Lau Kan Shan, the chairman of the Company and an executive Director
"Mr. Lun"	Mr. Lun Chi Yim
"Offeror"	Winland Wealth (BVI) Limited, a company incorporated in the BVI with limited liability and beneficially and indirectly wholly-owned by Mr. Lun
"PRC"	People's Republic of China
"Privateco Offer"	the possible voluntary unconditional cash offer to be made by Somerley on behalf of the Vendor to acquire all the Inventive Shares other than those already held by the Vendor and parties acting in concert with it
"Privateco Offer Document"	the offer and response document (in either composite or separate forms) and the form of acceptance and transfer to be despatched to the Inventive Shareholders pursuant to the Privateco Offer

"Properties"	(i) the Hotel; and (ii) Commercial Unit No.2 of the commercial accommodation of Rambler Crest, No.1 Tsing Yi Road, Tsing Yi, New Territories, Hong Kong
"Proposal"	the proposal to be put forward at the SGM in respect of the Group Reorganisation (including the proposed distribution in specie of the Inventive Shares), the Special Cash Dividend, the Termination Deed, the Deed of Novation, and the transactions contemplated thereunder, taking into account the Privateco Offer and the Mexan Offer
"Record Date"	12 April 2007, being the record date for determining entitlements to the distribution in specie of the Inventive Shares pursuant to the Group Reorganisation and the Special Cash Dividend
"Remaining Business"	the Group's business of hotel investment and operation carried on by the Remaining Group
"Remaining Group"	the Group excluding the Inventive Group
"Sale Share(s)"	all 964,548,303 Shares held by the Vendor (representing approximately 73.58% of the existing issued share capital of the Company)
"SFC"	Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Company to be held on Thursday, 12 April 2007 at 10:00 a.m. to consider and, if thought fit, approve the resolution in respect of the Proposal
"Share Sale Agreement"	the conditional sale and purchase agreement dated 2 January 2007 (as amended and supplemented by a supplemental agreement dated 6 February 2007) entered into between, inter alia, the Offeror and the Vendor for the disposal of the controlling shareholding in the Company by the Vendor to the Offeror
"Shareholder(s)"	holder(s) of the Shares
"Share(s)"	ordinary share(s) of HK$0.10 each in the issued share capital of the Company

"Somerley"	Somerley Limited, a corporation licensed under the SFO to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities for the purposes of the SFO, and the financial adviser to the Vendor
"Special Cash Dividend"	a special cash dividend proposed to be declared and distributed to the Shareholders whose names appear on the register of members of the Company on the Record Date
"sq.ft."	square feet
"sq.m."	square metres
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"Vendor"	Mexan Group Limited, a company incorporated in the BVI with limited liability
"Winland Enterprises"	Winland Enterprises Limited, a company incorporated in Hong Kong with limited liability
"%"	per cent.

EXPECTED TIMETABLE

Set out below is the expected timetable for the implementation of the Proposal assuming that the Proposal will be approved at the SGM:

	2007
Last day of dealings in Shares on a cum-rights basis	Monday, 2 April
First day of dealings in Shares on an ex-rights basis	Tuesday, 3 April
Latest time for lodging transfers of Shares for entitlements to the Inventive Shares to be distributed in specie pursuant to the Group Reorganisation and the Special Cash Dividend	4:00 p.m. on Wednesday, 4 April
Closure of the register of members of the Company for determining entitlements to the Inventive Shares to be distributed in specie pursuant to the Group Reorganisation and the Special Cash Dividend (both dates inclusive)	Tuesday, 10 April to Thursday, 12 April
Latest time for return of form of proxy for the SGM	10:00 a.m. on Tuesday, 10 April
Record Date	Thursday, 12 April
SGM	10:00 a.m. on Thursday, 12 April
Group Reorganisation becomes effective	Thursday, 12 April
Completion of the Share Sale Agreement	Thursday, 12 April
Re-opening of the register of members of the Company	Friday, 13 April
Publication of an announcement regarding the voting results of the SGM	Friday, 13 April
Posting of the Privateco Offer Document and the Mexan Offer Document *(Note i)*	Monday, 16 April
Posting of remittances to the Shareholders for the Special Cash Dividend	on or before Thursday, 26 April
Posting of Inventive Share certificates to the Inventive Shareholders who do not accept the Privateco Offer *(Note ii)*	on or before Thursday, 17 May

Notes:

(i) A detailed timetable for each of the Privateco Offer and the Mexan Offer will be included in the Privateco Offer Document and the Mexan Offer Document respectively.

(ii) Tricor Investor Services Limited has been appointed as the transfer agent to handle splitting and registration of transfer of Inventive Shares. Further details are set out in the section headed "Miscellaneous" in Appendix X to this circular.

MEXAN LIMITED
茂盛控股有限公司*

(Incorporated in Bermuda with limited liability)
(Stock Code: 22)

Executive Directors:
Lau Kan Shan *(Chairman)*
Tse On Kin *(Managing Director)*
Ching Yung

Independent non-executive Directors:
Chan Wai Dune
Lau Wai
Tong Kwai Lai

Registered office:
Clarendon House
Church Street
Hamilton HM 11
Bermuda

Principal place of business in Hong Kong:
16th Floor
Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

17 March 2007

To the Shareholders

Dear Sir or Madam,

PROPOSAL IN RESPECT OF THE GROUP REORGANISATION, THE SPECIAL CASH DIVIDEND, THE TERMINATION DEED AND THE DEED OF NOVATION

INTRODUCTION

On 16 February 2007, it was jointly announced by the Company, the Vendor, Inventive and the Offeror that the Proposal would be put forward for the Shareholders' consideration at the SGM.

This circular contains, inter alia, relevant information about the Proposal (including the expected timetable for the implementation thereof assuming that the Proposal will be approved at the SGM), a letter of recommendation from the Independent Board Committee and a letter of advice from Hercules Capital Limited in respect of the Proposal, and a notice of the SGM.

* *For identification purposes only*

SHARE SALE AGREEMENT AND MEXAN OFFER

On 2 January 2007, the Vendor entered into the Share Sale Agreement (as amended and supplemented by a supplemental agreement dated 6 February 2007) with, inter alia, the Offeror pursuant to which and subject to, inter alia, approval by the Independent Shareholders of the Group Reorganisation and the Special Cash Dividend, the Offeror agreed to acquire 964,548,303 Shares from the Vendor (representing approximately 73.58% of the existing issued share capital of the Company) for an aggregate consideration of HK$102,917,303.93, equivalent to approximately HK$0.1067 per Share.

Subject to Completion, BOCI will, on behalf of the Offeror and pursuant to the Takeovers Code, make a mandatory unconditional cash offer to the Shareholders to acquire all the Shares other than those already held or agreed to be acquired by the Offeror and parties acting in concert with it on the following basis:

— for each Share held .... HK$0.1067 in cash

The making of the Mexan Offer is subject to a pre-condition (i.e. Completion taking place) being fulfilled.

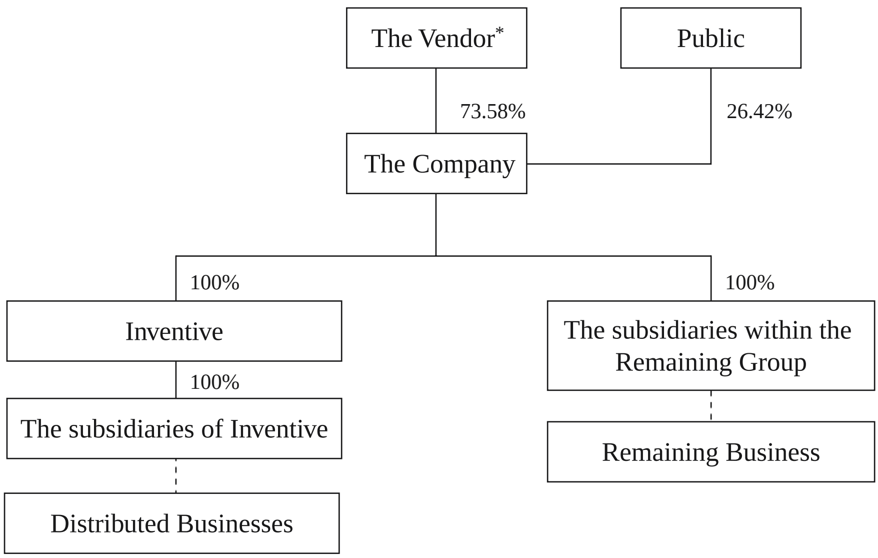
Further information about the Share Sale Agreement and the Mexan Offer (including the background of the Offeror and its intention regarding the Company) is set out in Appendix I to this circular.

GROUP REORGANISATION

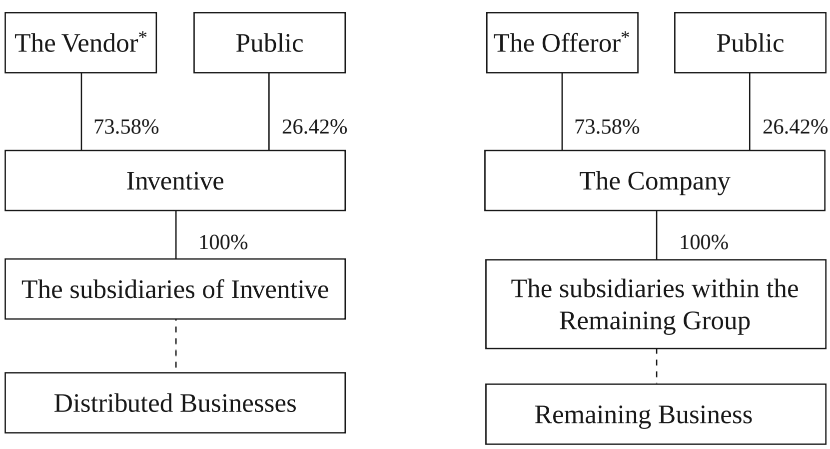
Pursuant to the Group Reorganisation, (i) the Company will continue to be a listed company and the Remaining Group will be carrying on the Group's business of hotel investment and operation (being the Remaining Business); (ii) the Inventive Group will be carrying on the Group's businesses of toll road operation and management as well as investment holding (being the Distributed Businesses); and (iii) the Inventive Shares will be distributed in specie to the Shareholders whose names appear on the register of members of the Company on the Record Date on the basis of one Inventive Share for each Share held.

Group structure

Set out below is the Group structure (in simplified form) as at the Latest Practicable Date and immediately before completion of the Group Reorganisation:



Set out below are the structures (in simplified forms) of the Inventive Group and the Remaining Group immediately after completion of each of the Group Reorganisation and the Share Sale Agreement but before the making of the Privateco Offer and the Mexan Offer:



** including parties acting in concert with it.*

The Remaining Group

Upon completion of the Group Reorganisation, the Company will continue to be a listed company and the Remaining Group will be carrying on the Group's business of hotel investment and operation (being the Remaining Business). The Remaining Group owns its principal assets being the Properties which comprise an 800-room fully furnished hotel known as "**Mexan Harbour Hotel**" and a restaurant in the same building located in Tsing Yi, New Territories, Hong Kong. The Group entered into a sale and purchase agreement with a subsidiary of Hutchison Whampoa Limited in October 2003 for the purpose of acquiring the Properties at a total consideration of HK$660 million. The Properties commenced operation in late December 2004. As stated in the property valuation report on the Group set out in Appendix VIII to this circular, the Properties were valued at HK$680 million as at 31 January 2007.

The Mexan Harbour Hotel is strategically located in Tsing Yi which is in close proximity to both Hong Kong International Airport and tourism spots including Hong Kong Disneyland, Hong Kong Wetland Park and Ngong Ping 360. For the six months ended 30 September 2006, the Mexan Harbour Hotel achieved an average occupancy rate of approximately 86%. In view of the booming economy and the growth of the tourism sector in Hong Kong, the Board remains positive about the future prospects of the Mexan Harbour Hotel.

Set out in the section headed "Financial effects of the Proposal" below in this letter is a discussion about the financial effects of the Proposal on the Group. Set out in Appendix II to this circular is the relevant financial information on the Group.

The Inventive Group

Upon completion of the Group Reorganisation, the Inventive Group will be carrying on the Group's businesses of toll road operation and management as well as investment holding (being the Distributed Businesses). The Inventive Group owns its principal asset, being the operating right of Ningbo Beilun Port Expressway (the "**Toll Road**"), through Beilun Company for a period of 25 years from 1 January 2003 to 31 December 2027. The Toll Road was built to an elevated dual two expressway standard with a design speed of 120 kilometres per hour. There are three exits and entrances along the Toll Road, namely Beilun Port, Ningbo East and Jiangshan. The toll system for the Toll Road is a closed system with fixed toll rates for different vehicle categories.

Beilun Company was acquired in stages by the Group for a total consideration of HK$800 million in 2005. As stated in the valuation report on Beilun Company set out in Appendix VI to this circular, Beilun Company was valued at HK$830 million as at 31 January 2007. Beilun Company is still at its early stage of operation and has been loss-making in the past mainly due to substantial finance costs on the bank loans taken out for the acquisition of the Toll Road operating right and significant amortisation charges on such right. As at 30 September 2006, such bank loans amounted to approximately HK$1.6 billion. Set out in Appendix III is the relevant financial information on the Inventive Group. Set out in Appendix VII to this circular is a traffic forecast report on the Toll Road up to 31 December 2027. Given that it is an important route connecting Beilun Port, a major natural deep water port in the PRC, to the regions in Zhejiang Province, the Board is of the view that the future performance of the Inventive Group is likely to be attractive.

The Group previously owned a residential property located at South Bay Close in Hong Kong from which rental income was earned. In early 2007, such property was sold at book value. As at the Latest Practicable Date, the Company was yet to identify any investment target for the proceeds.

Set out in Appendix V to this circular is the unaudited pro forma assets and liabilities statement of the Inventive Group assuming the Proposal had been implemented as at 30 September 2006, according to which the Inventive Group would have total assets of approximately HK$2.5 billion, total liabilities of approximately HK$1.7 billion and net assets of approximately HK$892.0 million as a result of the Proposal.

Constitution and Bermuda company law

Inventive was incorporated on 27 September 2006 in Bermuda with limited liability. Under Bermuda law, Inventive Shareholders are entitled to have the affairs of Inventive conducted in accordance with general law and in particular with Inventive's memorandum of association and bye-laws. Inventive will adopt new bye-laws which contain provisions regarding rights of Inventive Shareholders which are substantially similar to those contained in the bye-laws or articles of association of listed issuers on the Main Board of the Stock Exchange.

Under the new bye-laws of Inventive, Inventive is obliged to hold an annual general meeting in each year. Holders of voting shares of Inventive are entitled to receive notice of all general meetings of Inventive and to attend in person, by proxy or, in the case of a corporation, by an appointed representative. Under the new bye-laws and Bermuda law, among others, matters such as a variation of share rights, alteration of the memorandum or bye-laws, alteration of capital, court or voluntary winding up and a change of the name of Inventive would require the approval of the Inventive Shareholders by way of an ordinary or special resolution.

Unless all of the Inventive Shareholders and all of the directors of Inventive agree otherwise, Inventive must appoint an independent auditor. Inventive Shareholders are entitled to receive the audited financial statements of Inventive at least 21 days before the date of the general meeting in accordance with the new bye-laws of Inventive.

Inventive Shareholders are also entitled to receive copies of the memorandum of association and bye-laws of Inventive and minutes of meetings of shareholders. Inventive Shareholders are not, however, generally entitled to inspect accounting records or minutes of meetings of the directors. The register of shareholders and register of directors and officers of a company are public documents.

There are no provisions in the new bye-laws of Inventive relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to Inventive Shareholders under Bermuda law which are summarised in paragraph 4(e) of Appendix IX to this circular. In addition, there are "squeeze-out" provisions under the Companies Act 1981 of Bermuda pursuant to which minority interests may be subject to mandatory acquisition. An outline of these squeeze-out provisions is set out in paragraphs 4(o) and 4(p) of Appendix IX to this circular.

Set out in Appendix IX to this circular are further details of the memorandum of association and the new bye-laws of Inventive and a general overview of Bermuda company law.

Proposed distribution in specie of the Inventive Shares

As part of the Group Reorganisation, it is expected that (i) debts owed by subsidiaries of Inventive to the Company will be assigned by the Company to Inventive; and (ii) any debt owed by Inventive to the Company will be capitalised by Inventive, both of which shall be determined by reference to the relevant balances in their respective management accounts as at the date of completion of the Group Reorganisation. In consideration for such debt assignment and debt capitalisation, Inventive will allot and issue such number of Inventive Shares to the Company as will result in the number of Inventive Shares in issue being equal to the number of Shares in issue on the Record Date. The Company will then distribute all of its Inventive Shares in specie out of its retained earnings to the Shareholders whose names appear on the register of members of the Company on the Record Date on the following basis:

— for each Share held .... one Inventive Share

It is intended that it will be a condition of the issue of the Inventive Shares that the share certificates of Inventive will be posted only to the Inventive Shareholders who do not accept the Privateco Offer so that the despatch of the share certificates to the Inventive Shareholders can be managed in an efficient manner.

The Inventive Shares when issued will rank *pari passu* in all respects with each other. No application will be made for the listing of the Inventive Shares on the Stock Exchange or any other stock exchange.

Conditions to the Group Reorganisation

Completion of the Group Reorganisation will be conditional upon:

(i) the passing of the resolution approving the Group Reorganisation by the Independent Shareholders at the SGM; and

(ii) completion of the Share Sale Agreement.

The Group Reorganisation will be considered at the SGM as part and parcel of the Proposal. The Vendor, the Offeror, their respective associates and parties acting in concert with each of the Vendor and the Offeror (including the Directors) will abstain from voting on the relevant resolution, which will be taken on a poll at the SGM. Neither of the above conditions can be waived.

Completion of the Group Reorganisation

The Group Reorganisation will become effective upon fulfilment of the conditions precedent thereto set out above.

Reasons for the Group Reorganisation

After arm's length negotiations among the parties to the Share Sale Agreement, the Offeror agreed to acquire from the Vendor its entire holding of an approximately 73.58% interest in the Company conditional upon, inter alia, approval by the Independent Shareholders of the Group Reorganisation. Accordingly, in order to facilitate Completion, the Vendor has requested the Board to put forward for the Shareholders' consideration a proposal for the Group Reorganisation. The Board considers that it is in the interest of the Shareholders for them to be provided with the opportunity to consider and, if thought fit, approve the relevant resolution for the Group Reorganisation as part and parcel of the Proposal at the SGM.

The Privateco Offer, which will be made after completion of the Group Reorganisation, will provide a cash alternative to the Shareholders allowing them to readily realise their holdings of the Inventive Shares following completion of the Group Reorganisation. In the event that the Shareholders wish to continue to invest in the Distributed Businesses after completion of the Group Reorganisation, they can choose not to accept the Privateco Offer and continue to hold the Inventive Shares, but should be aware there will be no liquid market for them and such shares will be subject to possible compulsory acquisition under the Companies Act 1981 of Bermuda if sufficient Inventive Shares are acquired under the Privateco Offer (as mentioned in the section headed "Privateco Offer" in Appendix I to this circular and in paragraphs 4(o) and 4(p) of Appendix IX to this circular).

Upon Completion, the Offeror together with parties acting in concert with it will be obliged to make the Mexan Offer under the Takeovers Code. The Mexan Offer price will be the same as the price per Sale Share under the Share Sale Agreement.

The Board considers that the Group Reorganisation, the Privateco Offer and the Mexan Offer altogether provide alternatives to the Shareholders to either divest all their investment in the Company or retain some or all of their investment through holding interests in the Company, Inventive or both companies. As such, the Board considers that the Group Reorganisation is in the interest of the Shareholders as a whole.

SPECIAL CASH DIVIDEND

As part and parcel of the Proposal, the Special Cash Dividend will be considered at the SGM. Subject to approval by the Independent Shareholders of the Special Cash Dividend and completion of the Share Sale Agreement, the Company will distribute the Special Cash Dividend to the Shareholders whose names appear on the register of members of the Company on the Record Date on the following basis:

— for each Share held .... HK$0.06865 in cash

The Vendor, the Offeror, their respective associates and parties acting in concert with each of the Vendor and the Offeror (including the Directors) will abstain from voting on the relevant resolution, which will be taken on a poll at the SGM.

Save for the proposed distribution in specie of the Inventive Shares pursuant to the Group Reorganisation and the Special Cash Dividend, the Company has not formulated any future dividend policy.

The Board considers that the Special Cash Dividend is in the interest of the Shareholders taking into account the merits of the Group Reorganisation, the Privateco Offer and the Mexan Offer as discussed in the sub-section headed "Reasons for the Group Reorganisation" above.

PRIVATECO OFFER

After completion of the Group Reorganisation, Somerley will, on behalf of the Vendor and pursuant to the Takeovers Code, make a voluntary unconditional cash offer to the Inventive Shareholders to acquire all the Inventive Shares other than those already held by the Vendor and parties acting in concert with it on the following basis:

— for each Inventive Share held * .... HK$0.30 in cash

* *The number of Inventive Shares to be in issue will be equal to the total number of Shares in issue on the Record Date.*

The making of the Privateco Offer is subject to a pre-condition (i.e. completion of the Group Reorganisation taking place) being fulfilled.

Further information about the Privateco Offer (including the background of the Vendor and its intention regarding Inventive) is set out in Appendix I to this circular.

COMPARISON OF THE COMBINED CONSIDERATION UNDER THE PROPOSAL WITH MARKET PERFORMANCE OF THE SHARES AND UNDERLYING ASSETS OF THE COMPANY

The combined consideration under the Proposal on a part and parcel basis including the Mexan Offer, the Privateco Offer and the Special Cash Dividend is equivalent to HK$0.47535 per Share which represents:

— a discount of approximately 49.3% to the audited consolidated net asset value of the Company of approximately HK$0.9376 per Share as at 30 September 2006;

— a discount of approximately 16.6% to the closing price of HK$0.570 per Share as quoted on the Stock Exchange as at the Latest Practicable Date;

— a discount of approximately 4.0% to the closing price of HK$0.495 per Share as quoted on the Stock Exchange on the Last Trading Day; and

— a discount of approximately 7.2%, 16.0%, 18.3%, 6.8% and 10.1% to the average of the closing prices of approximately HK$0.512, HK$0.566, HK$0.582, HK$0.510 and HK$0.529 per Share for the 10, 20, 30, 90 and 180 consecutive trading days up to and including the Last Trading Day, respectively.

WARNING: THE MAKING OF EACH OF THE MEXAN OFFER AND THE PRIVATECO OFFER IS SUBJECT TO A NUMBER OF CONDITIONS AND IS A POSSIBILITY ONLY. AS EACH OF THE MEXAN OFFER AND THE PRIVATECO OFFER MAY OR MAY NOT PROCEED, INVESTORS AND SHAREHOLDERS ARE URGED TO EXERCISE CAUTION WHEN DEALING IN THE SHARES.

TERMINATION DEED

As set out in Appendix I to this circular, the Termination Deed (as defined therein) was entered into among City Promenade, the Company, Winland Hotel Management Limited ("**Winland Hotel**") and Winland Finance Limited ("**Winland Finance**") on 2 January 2007 to terminate the Management Contract (as defined therein) so that the Remaining Group will operate and manage the Properties itself after Completion.

The Termination Deed is conditional upon: (i) completion of the Share Sale Agreement; and (ii) the passing of a shareholders' resolution of the Company in compliance with the Listing Rules approving the Termination Deed and the transactions contemplated thereunder at the SGM.

The Board considers that it is in the interest of the Shareholders to be provided with an opportunity to consider and, if thought fit, approve the relevant resolution for the Termination Deed and the transactions contemplated thereunder as part and parcel of the Proposal at the SGM. The Vendor, the Offeror, their respective associates and parties acting in concert with each of the Vendor and the Offeror (including the Directors) will abstain from voting on the relevant resolution, which will be taken on a poll at the SGM. Neither of the above conditions can be waived.

Further information about the Termination Deed is set out in Appendix I to this circular.

DEED OF NOVATION

As set out in Appendix I to this circular, the Deed of Novation (as defined therein) will be entered into among Express Chain Limited, the Company and Mr. Lau upon Completion and pursuant to it all the obligations and liabilities imposed or to be imposed on the Company under the Deed of Undertaking (as defined therein) will be transferred to and assumed by Mr. Lau, and the Company will be released and discharged from its obligations and liabilities under the Deed of Undertaking with effect from Completion.

The entering into of the Deed of Novation will be considered at the SGM as part and parcel of the Proposal. The Vendor, the Offeror, their respective associates and parties acting in concert with each of the Vendor and the Offeror (including the Directors) will abstain from voting on the relevant resolution, which will be taken on a poll at the SGM.

The Board considers that the entering into of the Deed of Novation is in the interests of the Company and the Shareholders as a whole.

Further information about the Deed of Novation is set out in Appendix I to this circular.

FINANCIAL EFFECTS OF THE PROPOSAL

Upon completion of the Group Reorganisation, Inventive and its subsidiaries will cease to be subsidiaries of the Company. Set out in Appendix IV to this circular is the unaudited pro forma financial information on the Remaining Group (the "**Information**") which illustrates the financial impact of the Proposal on the results and cash flows of the Remaining Group assuming the Proposal had been implemented as at 1 April 2005 and the financial impact of the Proposal on the assets and liabilities of the Remaining Group assuming the Proposal had been implemented as at 30 September 2006.

Based on the Information, the total assets of the Group will drop from approximately HK$3,339 million to HK$698 million (representing a decrease of approximately 79%); its total liabilities will drop from approximately HK$2,110 million to HK$457 million (representing a decrease of approximately 78%); its net assets will drop from approximately HK$1,229 million to HK$241 million (representing a decrease of approximately 80%); and its gearing ratio (calculated as total loans divided by total assets) will slightly increase from approximately 61% to 63%, as a result of the Proposal. The Directors consider that the future profitability of the Remaining Group will depend on a number of factors including the future management and performance of the Remaining Group, which is therefore not quantifiable at this stage.

SGM

The SGM will be held for the Shareholders to consider and, if thought fit, approve the resolution in respect of the Proposal but only the Independent Shareholders (who have no material interest in the Proposal) will be permitted to vote on it. The Vendor, the Offeror, their respective associates and parties acting in concert with each of the Vendor and the Offeror (including the Directors) will abstain from voting on the relevant resolution, which will be taken on a poll at the SGM. As at the Latest Practicable Date, the Vendor, its associates and parties acting in concert with the Vendor (including the Directors) altogether held 964,548,303 Shares (representing approximately 73.58% of the existing issued share capital of the Company). The Offeror has confirmed that as at the Latest Practicable Date, none of the Offeror, its associates or parties acting in concert with the Offeror held any Shares.

A notice convening the SGM to be held at Mexan Café, Level 5, Mexan Harbour Hotel, No. 1 Tsing Yi Road, Tsing Yi, New Territories, Hong Kong on Thursday, 12 April 2007 at 10:00 a.m. is set out on pages 275 to 277 of this circular. Whether or not you are able to attend the meeting in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar, Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, as soon as practicable but in any event not later than 48 hours before the time appointed for the holding of the meeting. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting or any adjournment thereof should you so desire.

Procedure for demanding a poll at a general meeting of the Company

Pursuant to the bye-laws of the Company, a resolution put to the vote of a meeting 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 demanded:

(i) by the chairman of such meeting; or

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

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

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

A demand by a person as proxy for a member or in the case of a member being a corporation by its duly authorised representative shall be deemed to be the same as a demand by a member.

Since the relevant resolution to approve the Proposal will be decided by poll, the chairman of the SGM will demand a poll for such resolution thereat.

VOTING RECOMMENDATION

The Independent Board Committee comprising all of the independent non-executive Directors, namely Mr. Chan Wai Dune, Mr. Lau Wai, and Mr. Tong Kwai Lai, has been established to advise the Independent Shareholders in respect of the Proposal. Your attention is drawn to their recommendation set out in their letter on page 18 of this circular.

INDEPENDENT ADVICE

Hercules has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Proposal. Your attention is drawn to their letter to the Independent Board Committee set out on pages 19 to 43 of this circular.

FURTHER INFORMATION

Your attention is drawn to the expected timetable on page 6 of this circular and the additional information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of
MEXAN LIMITED
Tse On Kin
Managing Director

Set out below is the text of the letter of recommendation from the Independent Board Committee in respect of the Proposal:

MEXAN LIMITED
茂盛控股有限公司*

(Incorporated in Bermuda with limited liability)
(Stock Code: 22)

17 March 2007

To the Independent Shareholders

Dear Sir or Madam,

PROPOSAL IN RESPECT OF THE GROUP REORGANISATION, THE SPECIAL CASH DIVIDEND, THE TERMINATION DEED AND THE DEED OF NOVATION

As the Independent Board Committee, we have been appointed to advise you in connection with the Proposal, details of which are set out in the circular of the Company dated 17 March 2007 (the "**Circular**"), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

Having considered the terms of the Proposal and the advice of Hercules in relation thereto as set out on pages 19 to 43 of the Circular, we are of the opinion that the Proposal is neither fair and reasonable to, nor in the interest of, the Independent Shareholders. We therefore recommend that you vote against the ordinary resolution to be proposed at the SGM regarding the Proposal.

Nevertheless, we would like to draw your attention to the advice of Hercules which is particularly highlighted and summarised in the section headed "Recommendation" in their letter on pages 41 to 43 of the Circular regarding the other factors you may wish to take into consideration for your decision in light of the Proposal.

Yours faithfully,
Independent Board Committee

Chan Wai Dune **Lau Wai** **Tong Kwai Lai**
Independent non-executive Directors

** For identification purposes only*

Set out below is the text of the letter of advice from Hercules in respect of the Proposal for incorporation in this circular:

Hercules

Hercules Capital Limited

1503 Ruttonjee House
11 Duddell Street
Central
Hong Kong

17 March 2007

To the Independent Board Committee
and the Independent Shareholders

Dear Sirs,

PROPOSAL IN RESPECT OF THE GROUP REORGANISATION, THE SPECIAL CASH DIVIDEND, THE TERMINATION DEED AND THE DEED OF NOVATION

INTRODUCTION

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

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Chan Wai Dune, Mr. Lau Wai and Mr. Tong Kwai Lai, has been formed to advise the Independent Shareholders as to whether the Proposal is fair and reasonable and in the interests of the Company and the Shareholders as a whole. Hercules has been engaged to advise the Independent Board Committee and the Independent Shareholders in this regard.

In formulating our recommendations, we have reviewed, *inter alia*, (i) the accountants' report on the Group for the three years ended 31 March 2006 and the six months ended 30 September 2006 as set out in Appendix II to the Circular; (ii) the accountants' report on the Inventive Group for the three years ended 31 March 2006 and the six months ended 30 September 2006 as set out in Appendix III to the Circular; (iii) the unaudited pro forma financial information of the Remaining Group and the Inventive Group as set out in Appendices IV and V to the Circular, respectively; (iv) the valuation report of Beilun Company as set out in Appendix VI to the Circular; (v) the traffic forecast report as set out in Appendix VII to the Circular; (vi) the summary of the constitution of Inventive and Bermuda company law set out in Appendix IX to the Circular; (vii) the price performance of the Shares for the period from 1 February 2006 to the Latest Practicable Date; (viii) the Termination Deed; (ix) the Management Contract; (x) the Deed of Novation; and (xi) the Deed of Undertaking. We have considered the terms of all offers made within a twelve-month period prior to the Latest Practicable Date for companies listed on the main board of the Stock Exchange, as well as such other information, analyses and market data which we deemed relevant. We have also conducted verbal discussions with BMI regarding the methodology, bases and assumptions employed in the valuations of Beilun Company. We have also conducted verbal discussions with Mannings regarding the principal assumptions, including commercial assumptions, upon which the traffic forecast report is based. We have assumed that such information and statements, and any representations made to us, are true, accurate and complete in all material respects as of the date hereof and we have relied upon them in formulating our opinion. We have also assumed that all information, opinions and representations contained or referred to in the Circular are true, accurate and complete in all material respects as at the date of the Circular, and will continue as such at the date of the SGM, and that they may be relied upon in formulating our opinion. The Directors have jointly and severally accepted full responsibility for the accuracy of the information contained in the Circular (other than that relating to the Offeror, the Vendor, their respective associates and parties acting in concert with each of the Offeror and the Vendor) and have confirmed that, having made all reasonable enquiries and to the best of their knowledge, opinions expressed in the Circular (other than those relating to the Offeror, the Vendor, their respective associates and parties acting in concert with each of the Offeror and the Vendor) have been arrived at after due and careful consideration and there are no other facts the omission of which would make any statements in the Circular misleading. We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation as required under Rule 13.80 of the Listing Rules. We have no reason to suspect that any material information has been withheld by the Directors or management of the Company, or is misleading, untrue or inaccurate. We have not, however, for the purpose of this exercise, conducted any independent detailed investigation or audit into the businesses or affairs or future prospects of the Group. Our opinion is necessarily based on the financial, economic, market and other conditions in effect, and the information made available to us as at the Latest Practicable Date.

We have not considered the tax consequences, if any, on the Independent Shareholders arising from the Proposal since these are particular to their individual circumstances. Independent Shareholders who are in any doubt as to their tax position should consult their professional advisers.

BACKGROUND TO THE PROPOSAL

The Group is principally engaged in investment holding, hotel investment and operations, and toll road operations and management. The Vendor became the controlling Shareholder of the Company in June 2003.

On 16 February 2007, the Company, the Vendor, Inventive and the Offeror jointly announced, *inter alia*, that the Offeror had agreed to acquire from the Vendor its entire equity interest of approximately 73.58% in the Company for a total consideration of HK$102,917,303.93 (equivalent to about

HK$0.1067 per Share) conditional upon, *inter alia*, approval by the Independent Shareholders of the Group Reorganisation and the Special Cash Dividend. In order to facilitate Completion, the Vendor requested the Board to put forward for the Shareholders' consideration a proposal for the Group Reorganisation. The Proposal includes the Group Reorganisation, the Special Cash Dividend, the Termination Deed, the Deed of Novation, and the transactions contemplated thereunder, taking into account the Privateco Offer and the Mexan Offer.

A. The Group Reorganisation

Pursuant to the Group Reorganisation,

(i) the Company will distribute by way of a dividend in specie the Inventive Shares to Shareholders whose names appear on the register of members of the Company on the Record Date on the basis of one Inventive Share for each Share held. However, no application will be made for the listing of the Inventive Shares on the Stock Exchange or any other stock exchange;

(ii) the Company will continue to be a listed company and the Remaining Group will continue to carry on the Group's business of hotel investment and operations (being the Remaining Business); and

(iii) the Inventive Group will carry on the Group's businesses of toll road operations and management as well as investment holding (being the Distributed Businesses).

We refer Independent Shareholders to the section headed "Proposed distribution in specie of the Inventive Shares" in the letter from the Board for the procedures of the distribution in specie.

Diagrams depicting the Group structure immediately before completion of the Group Reorganisation and the structures of the Inventive Group and the Remaining Group immediately after completion of each of the Group Reorganisation and the Share Sale Agreement but before the making of the Privateco Offer and the Mexan Offer are set out in the section headed "Group structure" in the letter from the Board.

The Group Reorganisation is part and parcel of the Proposal. Completion of the Group Reorganisation will be conditional on approval by the Independent Shareholders and Completion.

B. Special Cash Dividend

As part and parcel of the Proposal, the Special Cash Dividend will be considered at the SGM. Subject to approval by the Independent Shareholders and Completion, the Company will distribute the Special Cash Dividend to the Shareholders whose names appear on the register of members of the Company on the Record Date on the following basis:

For each Share HK$0.06865 in cash

C. The Privateco Offer

Based on the current shareholding structure of the Company, the Vendor will be directly interested in approximately 73.58% of the then issued share capital of Inventive immediately upon completion of the Group Reorganisation. Given that the Inventive Shares will not be listed on the Stock Exchange or any other stock exchange upon completion of the Group Reorganisation and will therefore be difficult to liquidate, the Vendor considers that it is appropriate to provide the Inventive Shareholders with an opportunity to realise their holdings of Inventive Shares by making the Privateco Offer on a voluntary basis pursuant to the Takeovers Code.

Subject to completion of the Group Reorganisation, Somerley will, on behalf of the Vendor, make a voluntary unconditional cash offer to the Inventive Shareholders to acquire all the Inventive Shares other than those already held by the Vendor and parties acting in concert with it on the following basis:

For each Inventive Share HK$0.30 in cash

Since Inventive is a company incorporated in Bermuda, and its register of members is located and maintained there, no Hong Kong stamp duty is payable on any transfer of the Inventive Shares.

Subject to sufficient Inventive Shares being acquired, pursuant to sections 102 and 103 of the Companies Act 1981 of Bermuda, the Vendor intends to avail itself of the right to compulsorily acquire the remaining Inventive Shares not already acquired under the Privateco Offer. Under section 102 of the Companies Act 1981 of Bermuda, the relevant threshold will be the Vendor receiving acceptances from the Inventive Shareholders representing 90% of the Inventive Shares subject to the Privateco Offer provided that if the Vendor already holds over 10% of the Inventive Shares, the acceptances must also represent 75% in number of the Inventive Shareholders accepting the Privateco Offer. Under section 103 of the Companies Act 1981 of Bermuda, the Vendor can compulsorily acquire the Inventive Shares of the remaining Inventive Shareholders once it holds 95% of all issued Inventive Shares.

D. The Mexan Offer

Upon Completion, the Offeror together with parties acting in concert with it will hold approximately 73.58% of the existing issued share capital of the Company. BOCI will, on behalf of the Offeror and pursuant to the Takeovers Code, make a mandatory unconditional cash offer to the Shareholders to acquire all the Shares other than those already held or agreed to be acquired by the Offeror and parties acting in concert with it, on the following basis:

For each Share HK$0.1067 in cash

The Mexan Offer Price is the same as the per Sale Share consideration paid by the Offeror under the Share Sale Agreement.

The Shares subject to the Mexan Offer will be acquired ex-entitlements to the proposed distribution in specie of the Inventive Shares pursuant to the Group Reorganisation and the Special Cash Dividend but cum the right to receive all dividends or distributions declared, paid or made on or after the date of the Share Sale Agreement and free from all third party rights attaching thereto on or after that date.

The ad valorem stamp duty payable by the accepting Shareholders in connection with the acceptance of the Mexan Offer, amounting to HK$1.00 for every HK$1,000 or part thereof of the greater of (i) the consideration payable by the Offeror in respect of the relevant acceptance; and (ii) the market value of the Shares, will be payable by the accepting Shareholders and will be deducted by the Offeror from the consideration payable on acceptance of the Mexan Offer. The Offeror will then pay the stamp duty on behalf of the accepting Shareholders.

E. The Termination Deed

On 10 November 2005, City Promenade, Winland Hotel, Winland Finance and the Company entered into a hotel management contract which was supplemented by a supplemental management contract dated 11 November 2005 (as so supplemented, the "**Management Contract**"), under which City Promenade appointed Winland Hotel in place of the then existing independent manager to manage and operate the Properties for a term of three years. Winland Hotel is a wholly-owned subsidiary of Winland Finance and Mr. Lun is a director of Winland Hotel.

Following Completion, it is the intention of the Offeror to appoint new directors to the Board who have relevant experience in hotel investment and operation, and for the Remaining Group to operate and manage the Properties itself after Completion. Accordingly, on the date of the Share Sale Agreement, the same parties to the Management Contract entered into a conditional deed of release and termination (the "**Termination Deed**"), pursuant to which it was conditionally agreed that the Management Contract be terminated and the obligations and liabilities of the parties thereto be released save for any antecedent breach, with effect from Completion.

Ratification and approval of the Termination Deed will be considered at the SGM as part and parcel of the Proposal. Accordingly, the Termination Deed is conditional upon approval by the Independent Shareholders and Completion.

F. The Deed of Novation

On 11 November 2005, the Elizabeth House Acquisition was completed. On the same day, at the request of Express Chain, the Company executed a deed of undertaking and indemnity (the "**Deed of Undertaking**") in favour of Express Chain pursuant to which the Company has undertaken to share with Express Chain, *inter alia*, any tax liabilities incurred by the owner of Elizabeth House up to and inclusive of 11 November 2005 in the manner stipulated therein.

The Company was indirectly controlled by Mr. Lau when the Company executed the Deed of Undertaking in favour of Express Chain, a company ultimately controlled by Mr. Lun and his Family Members. As the Company will cease to be controlled by Mr. Lau and will become controlled by Mr. Lun through the Offeror upon Completion, Mr. Lau has agreed that the obligations of the Company under the Deed of Undertaking will be novated to Mr. Lau upon Completion, and hence, it is provided under the Share Sale Agreement that upon Completion, a deed of novation will be entered into among Express Chain, the Company and Mr. Lau (the "**Deed of Novation**"), pursuant to which all the obligations and liabilities imposed or to be imposed on the Company under the Deed of Undertaking will be transferred to and assumed by Mr. Lau, and the Company will be released and discharged from its obligations and liabilities under the Deed of Undertaking with effect from Completion.

The entering into of the Deed of Novation will be considered at the SGM as part and parcel of the Proposal. Accordingly, the Deed of Novation is conditional upon approval by the Independent Shareholders and Completion.

The Board considers that the Group Reorganisation, the Privateco Offer and the Mexan Offer altogether provide alternatives to the Shareholders to either divest all their investments in the Company or retain some or all of their investments through holding interests in the Company, Inventive or both companies. As such, the Board considers that the Group Reorganisation is in the interest of the Shareholders as a whole. The Board also considers that the entering into of the Deed of Novation is in the interests of the Company and the Shareholders as a whole and it is in the interest of the Shareholders to be provided with an opportunity to consider and, if thought fit, approve the relevant resolution for the Termination Deed and the transactions contemplated thereunder as part and parcel of the Proposal at the SGM.

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

A. Historical financial performance

Table 1 — Summary income statement

	For the six months ended 30 September		For the year ended 31 March		
	2006	**2005**	**2006**	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	*(unaudited)*	*(audited)*	*(audited)*	*(audited)*
CONTINUING OPERATIONS					
Turnover	**119,853**	**38,122**	**118,172**	**19,165**	**—**
Toll road income	79,179	—	41,545	—	—
Rental income	135	450	946	—	—
Hotel operations	40,539	37,672	75,681	19,165	—
Direct costs	(55,503)	(9,795)	(39,730)	(4,929)	—
Gross profit	**64,350**	**28,327**	**78,442**	**14,236**	**—**
gross profit margin	*53.7%*	*74.3%*	*66.4%*	*74.3%*	—
Other revenues	5,037	17,379	23,200	51,287	26,726
Administrative expenses	(51,942)	(40,381)	(122,278)	(89,941)	(25,074)
Profit/(loss) from operations	**17,445**	**5,325**	**(20,636)**	**(24,418)**	**1,652**
operating margin	*14.6%*	*14.0%*	—	—	—
Finance costs	(58,615)	(10,080)	(51,069)	(11,847)	(3,588)
Share of results of associated companies	—	—	—	—	(8,369)
Share of results of a jointly controlled company	—	(1,053)	(5,226)	(6,127)	—
Decrease in fair value of investment property	(3,500)	—	—	—	—
Loss before taxation	**(44,670)**	**(5,808)**	**(76,931)**	**(42,392)**	**(10,305)**
Taxation credit/(charge)	5	(1,854)	(1,415)	(354)	(419)
Loss for the period from continuing operations	**(44,665)**	**(7,662)**	**(78,346)**	**(42,746)**	**(10,724)**
DISCONTINUED OPERATIONS					
(Loss)/profit for the period from discontinued operations	**—**	**(55,162)**	**(30,530)**	**(89,879)**	**84,277**
Net (loss)/profit for the period/year	**(44,665)**	**(62,824)**	**(108,876)**	**(132,625)**	**73,553**
net margin	—	—	—	—	—
Attributable to:					
Equity holders of the Company	(44,665)	(62,824)	(108,876)	(132,625)	72,079
Minority interest	—	—	—	—	1,474
	(44,665)	(62,824)	(108,876)	(132,625)	73,553
Dividends	—	249,076	249,076	—	—
(Loss)/earnings per share					
— from continuing and discontinued operations	(3.41)	(4.79)	(8.31)	(10.11)	5.67
— from continuing operations	(3.41)	(0.58)	(5.98)	(3.26)	(0.83)

For the year ended 31 March 2006, turnover of the Group increased more than five times to HK$118.2 million due primarily to the nearly tripled contribution from operation of Mexan Harbour Hotel and the consolidation of results of Beilun Company following the acquisition of its remaining 55.1% interest in December 2005. As Mexan Harbour Hotel commenced operation in late 2004, the Group benefited from only three months of its turnover for the financial year 2005, whereas a full twelve months' turnover was included for the financial year 2006. The Group's administrative expenses surged along with turnover and increased from HK$25.1 million in the financial year 2004 to HK$89.9 million in the financial year 2005 and further to HK$122.3 million in the financial year 2006, representing year-on-year increases of 258.7% and 36.0% respectively. In addition, finance costs increased from HK$3.6 million in the financial year 2004 to HK$11.8 million in the financial year 2005 and further to HK$51.1 million in the financial year 2006, representing year-on-year increases of 2.3 times and 3.3 times respectively. According to management of the Company, these increases were primarily a result of the consolidation of the interests expenses of Beilun Company, which amounted to HK$27.4 million for the period from the date of acquisition to 31 March 2006, and increased interest rate for Hong Kong dollar denominated borrowings. The significant administrative expenses, rising finance costs together with the share of losses of a jointly controlled company and substantial losses from discontinued operations led to net losses for the financial years 2006 and 2005 compared to a net profit for the financial year 2004. Net loss attributable to Shareholders for the financial years 2005 and 2006 amounted to HK$132.6 million and HK$108.9 million respectively whereas profit attributable to Shareholders for the financial year 2004 amounted to HK$72.1 million.

For the six months ended 30 September 2006, turnover from continuing operations increased by more than two-fold over the corresponding period in 2005. The increase was mainly attributable to the turnover generated from Beilun Company. In the absence of any loss from discontinued operation, the Group reported a loss of HK$44.7 million for the six months ended 30 September 2006, representing a decrease of 28.9% over the corresponding period in 2005. As noted in the Company's latest interim report and the notes to the accountants' report on the Group contained in Appendix II to the Circular, the loss attributable to Shareholders for the six months ended 30 September 2006 was mainly attributable to (i) a nearly five-fold increase in finance costs which was mainly due to higher interest rate for Hong Kong dollar denominated borrowings and interest expenses for Beilun Company of HK$46 million; (ii) a HK$3.5 million decrease in fair value of investment properties; (iii) a 85.1% decrease in interest income from bank, other advance and discontinued operations to HK$1.4 million from HK$9.7 million for the corresponding period in the previous year; and (iv) the absence of management fee income and others from discontinued operation (for the six months ended 30 September 2005: HK$7.7 million).

B. Future prospects and outlook of the Group

1. Toll road

Beilun Company, the owner of the operating right of Ningbo Beilun Port Expressway (the "**Toll Road**") for a period of 25 years from 1 January 2003, became a wholly-owned subsidiary of the Company in December 2005 and has been contributing significantly to the turnover of the Group. As noted in the Company's circulars dated 5 November 2004 and 14 November 2005 regarding the acquisition of the Beilun Company and the valuation report of Beilun Company as set out in Appendix VI to the Circular, the Toll Road has a total distance of approximately 51 kilometers and was built to an elevated dual two expressway standard with a restricted driving speed of 120 kilometers per hour. The Toll Road forms the Ningbo section of the Tongsan National Highway and originates from the east of the Beilun District of Ningbo. It extends to the west and intersects the Ningbo end of the Hangzhou-Ningbo Expressway and the future Ningbo-Jinhua (Yongjin) Expressway, at which point it turns southwards and extends to connect with the Ningbo-Taizhou-Wenzhou Expressway. The Toll Road is an important route that connects Beilun Port, a major natural deep water port, to the prosperous regions in Zhejiang including Hangzhou, Wenzhou and Taizhou. According to the People's Government of Beilun, Beilun Port is the main port of Ningbo Port, the second largest port and one of the four international deep-water transfer ports in China. The sea routes are open to all large ports in China and 518 ports in 85 areas and countries in the world, including regular international container lines to Hong Kong, Japan, Korea, Singapore, USA, and Europe, etc. In 2002, its cargo throughput was 120,000,000 tons, and the container freight volume was over 1,750,000 standard containers. By 2020, its throughput is expected to reach 300,000,000 tons and the container freight volume of 8,000,000 standard containers. Based on the statistics of Statistics Bureau of Zhejiang Province, the gross domestic products of Hangzhou, Wenzhou and Taizhou in 2006 amounted to RMB344,099 million, RMB183,438 million and RMB146,748 million respectively, representing year-on year increases of 14.3%, 13.3% and 14.6% respectively. Based on our discussions with Mannings, we understand that they anticipate the traffic volume of Ningbo Beilun Port Expressway will grow as forecasted in light of the favourable economic conditions of the Zhejiang Province as well as the increasing throughputs in the Beilun Port Cargo Terminal. To assess the fairness and reasonableness of the traffic forecast report, we have assessed the relevant qualification and experience of Mannings, and discussed with them and reviewed the methodology, bases and principal assumptions employed in the traffic forecast report. As noted in our discussions with Mannings, they had (i) gathered the most updated traffic data on the Toll Road and the nearby road network; (ii) collected data on the current economic and traffic situations together with the future development plan for Ningbo; (iii) conducted traffic surveys to establish the most recent traffic conditions; (iv) reviewed the existing traffic conditions and compared with the forecasted figures from the previous traffic forecast study; (v) identified factors that may affect the reliability of the traffic forecast and evaluated the effects on the forecasted figures; (vi) validated and updated the traffic forecasting model; and (vii) assumed that the current construction has been designed and constructed to the appropriate National Standard, which are acceptable to the approving authorities. Based on our discussions with Mannings and review of the traffic forecast report, we consider that the bases and assumptions adopted in the traffic forecast report have been made with due care and objectivity and that they are fair, reasonable and adequate as they are made based on reasonable estimates of available market data, and therefore the traffic forecast report is fair and reasonable. Beilun Company has been loss-making in the past due to substantial interest expenses on a long term bank loan, which was obtained in December 2002 to finance the acquisition of the operating right of Ningbo Beilun Port Expressway of approximately RMB1.9 billion, and significant amortisation charges on the aforesaid operating right which was included in the Group's direct costs. Nevertheless, having considered the continual increase in traffic flow volume forecasted by Mannings and the projections of Beilun Company upon which the valuation of Beilun Company is based, we consider that the outlook of the toll road business is, in general, positive.

2. Hotel investment and operations

Mexan Harbour Hotel, a 800-room fully furnished hotel in Tsing Yi, benefiting from its strategic location of close proximity to both the Hong Kong International Airport and the Hong Kong Disneyland, achieved an average occupancy rate of approximately 88% for the period from its inception in late December 2004 to 31 March 2006 and 86% for the six months ended 30 September 2006. According to the Hong Kong Tourism Board, by the end of 2006, Hong Kong had 126 hotels with 47,128 rooms. The average occupancy rate for 2006 was 87%. Total room-nights rose too as the total stock of hotel room supply increased by some 3,200 rooms or 7.4% during the year. In addition, the Government has plans to develop a wide-range of diversified tourist attractions in Hong Kong with a view to enhancing the overall attractiveness as a premier tourist destination. Two major projects, namely the Hong Kong Wetland Park and Ngong Ping 360 were opened in 2006. A plan for developing new cruise terminal facilities at Kai Tak was announced in October 2006. Enhancement projects of the Sai Kung waterfront, Lei Yue Mun, the Avenue of Stars, the Tsim Sha Tsui Beautification Project, Dr. Sun Yat-sen Historical Trail, Stanley waterfront, the Peak are scheduled for completion in or before 2007. Projects being planned include the Aberdeen Tourism Project to complement the redevelopment plan of the Ocean Park, further enhancement of the facilities along Lei Yue Mun waterfront and the development of a piazza at Tsim Sha Tsui. The opening of the AsiaWorld-Expo in December 2005 has also attracted more international business visitors from convention and exhibition markets to Hong Kong. It is expected that the aforesaid tourist attractions, the Hong Kong Disneyland together with the international conventions and exhibitions, would stimulate the demand for hotel rooms. In view of the foregoing, we concur with the view of the Board that the outlook of Mexan Harbour Hotel is positive. Nevertheless, the Board also anticipated that additional cash outlay for a thorough refurbishment of the hotel in 2007 would be required in order to maintain its competitive edge.

3. Property investment

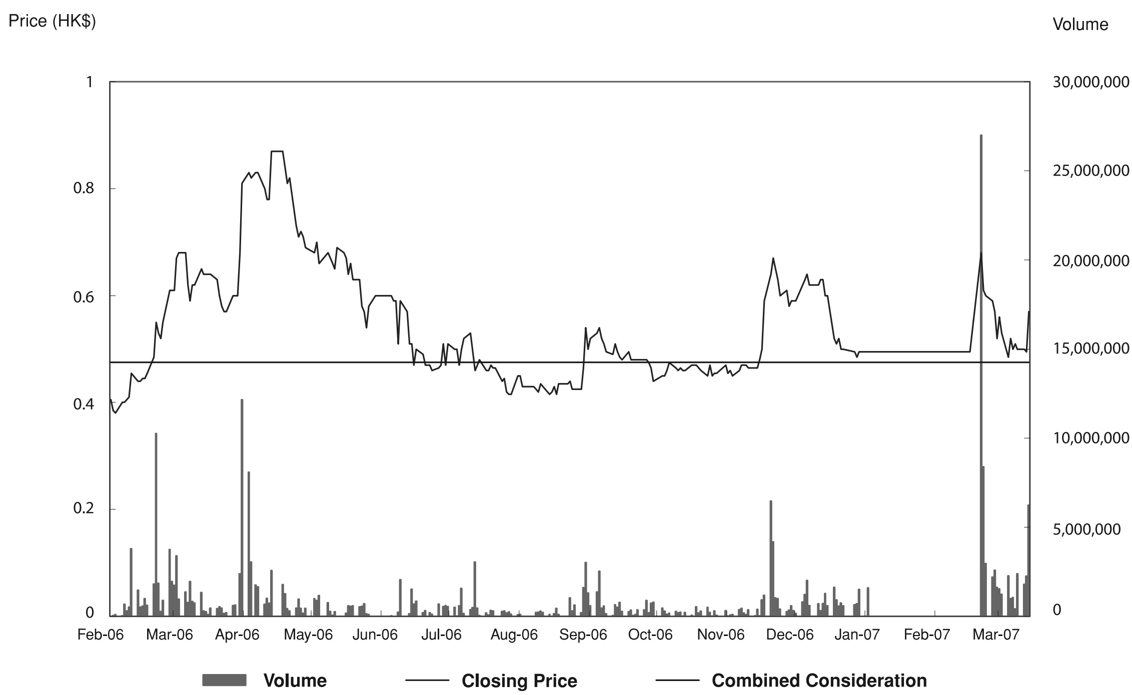
The Group previously owned a residential property located at South Bay Close, Hong Kong, from which rental income was received. According to management of the Company, the property was sold at book value in 2007 and the Company had not identified any investment target for the proceeds as at the Latest Practicable Date. Hence, we are unable to provide an analysis on the outlook for this business.

Notwithstanding the general positive outlook of the Group's businesses, we note that the Group is highly geared, with a debt-equity ratio of 166.0% as at 30 September 2006 and spent HK$58.6 million on interest for the six months ended 30 September 2006. No plans to reduce the debt have been announced by the Company up to the Latest Practicable Date. We consider that the borrowed funds are a burden to the Company in terms of interest payments and eventual capital redemption, and the Group's future profitability could be affected by fluctuations in interest rates.

C. Trading performance of the Shares

Set out below is a chart of historical closing prices of the Shares and daily volumes of Shares traded for the period of twelve full calendar months prior to 16 February 2007, being the date of the Announcement (the "**Pre-announcement Period**"), and from that date to the Latest Practicable Date (the "**Post-announcement Period**") and a summary of the Share trading volumes from 1 February 2006 to the Latest Practice Date (the "**Review Period**"):

Chart 1: Share performance



Source: the Stock Exchange website

Notes:

1. Trading of the Shares was suspended from 3 January 2007 to 16 February 2007 pending the release of the Announcement.

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

The closing price for the Shares has ranged from HK$0.38 and HK$0.87 in the twelve months prior to the Announcement and there were substantial fluctuations in the trading volume of the Shares. The following announcements were made with respect to such fluctuations:

- on 31 March 2006, the Company announced that it was in negotiation with its controlling shareholder in relation to a possible connected transaction involving an acquisition of a toll road which might be a possible very substantial acquisition for the Company;
- on 17 November 2006, the Company announced that it was advised by the Vendor that it was in negotiations with an independent third party on a possible disposal of its shareholding in the Company. The negotiations also involved a possible disposal of assets of the Company. If agreement(s) were reached, they might constitute a notifiable transaction for the Company under Chapter 14 of the Listing Rules and could lead to a change in control of the Company.

Table 2 below sets out the trading statistics for the Pre-announcement Period compared with the combined consideration of the Proposal, being the total value of the offer prices of HK$0.30 and HK$0.1067 under the Privateco Offer and the Mexan Offer respectively and HK$0.06865 Special Cash Dividend per Share combined, of HK$0.47535 per Share (the "**Combined Consideration**"):

Table 2: Trading Statistics for the Pre-announcement Period

	Closing price *HK$*	**Premium/ (discount) implied by the Combined Consideration**
Last Trading Day	0.495	(4.0%)
Average of the 5-day period up to and including the Last Trading Day	0.494	(3.8%)
Average of the 10-day period up to and including the Last Trading Day	0.512	(7.2%)
Average of the 30-day period up to and including the Last Trading Day	0.582	(18.4%)
Average of the 60-day period up to and including the Last Trading Day	0.524	(9.2%)
Average of the 90-day period up to and including the Last Trading Day	0.510	(6.7%)
Average of the 180-day period up to and including the Last Trading Day	0.529	(10.2%)
Average of the Pre-announcement Period	0.542	(12.2%)
Highest (13 and 18 April 2006)	0.870	(45.4%)
Lowest (3 February 2006)	0.380	25.1%

Source: the Stock Exchange website

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

- The Combined Consideration represents a discount of 4.0% to the closing price on the Last Trading Day.

- The Combined Consideration represents discounts of 3.8% to 18.4% to the average closing prices for the different periods described above.

- The Combined Consideration represents a premium of 25.1% over the lowest closing price and a discount of approximately 45.4% to the highest closing price.

Table 3: Trading Statistics for the Post-announcement Period

	Closing price *HK$*	**Premium/ (discount) implied by the Combined Consideration**
21 February 2007, being the market day immediately after the date of the Announcement	0.680	(30.1%)
Latest Practicable Date	0.570	(16.6%)
Average during the Post-announcement Period	0.546	(13.0%)
Highest (21 February 2007)	0.680	(30.1%)
Lowest (5 March 2007)	0.485	(2.0%)

Source: the Stock Exchange website

The closing price of the Shares increased by approximately 37.4% to HK$0.680 on 21 February 2007, being the trading day immediately after the date of the Announcement. Thereafter, the prices of the Shares traded at above the Combined Consideration and closed at HK$0.570 per Share as at the Latest Practicable Date.

Table 4 — Historical trading volume of the Shares

	Total trading volume	Average daily trading volume	Total trading volume to free float Shares[1]	Total trading volume to outstanding Shares[2]
	Shares	*Shares*		
2006				
February	30,396,190	1,519,810	8.78%	2.32%
March	31,755,823	1,380,688	9.17%	2.42%
April	25,777,100	1,516,300	7.44%	1.97%
May	8,347,143	417,357	2.41%	0.64%
June	8,728,245	396,738	2.52%	0.67%
July	9,315,204	443,581	2.69%	0.71%
August	9,936,819	432,036	2.87%	0.76%
September	11,972,000	570,095	3.46%	0.91%
October	4,438,265	221,913	1.28%	0.34%
November	18,751,639	852,347	5.41%	1.43%
December	15,699,730	826,302	4.53%	1.20%
2007				
January[3]	1,594,000	1,594,000	0.46%	0.12%
February[3]	44,736,948	7,456,158	12.92%	3.41%
March (up to the Latest Practicable Date)	20,130,450	3,013,045	5.81%	1.54%

Source: the Stock Exchange website

Note:

1. Based on 346,376,941 free float Shares, calculated as 1,310,925,244 Shares in issue less 964,548,303 Shares held by the Vendor as at the Latest Practicable Date.

2. Based on 1,310,925,244 Shares in issue as at the Latest Practicable Date.

3. Trading of the Shares was suspended from 3 January 2007 to 16 February 2007 pending the release of the Announcement.

The monthly trading volume of the Shares was, in general, moderate during the Review Period, representing less than 4% of the total issued Shares and less than 13% of the Shares in public hands. The average daily trading volume of the Shares ranges from approximately 221,913 Shares to approximately 7,456,158 Shares. Trading of the Shares was suspended from 3 January 2007 to 16 February 2007 pending the release of the Announcement and resulted in decreased trading volume in January and February 2007. The average monthly trading volume since February 2006 represents approximately 5.0% of the Shares owned by the Independent Shareholders as at the Latest Practicable Date. Out of a total of 245 trading days during the Review Period, there was no trading in the Shares in 19 days (being 7.8% of the total number of trading days). Accordingly, depending on the size of their holding, a sufficiently active market may not exist in the Shares to enable the Shareholders to dispose of their Shares without exerting a downward pressure on the price of the Shares in the short term. Independent Shareholders who intend to realise their investments irrespective of the Proposal but believe that because of the size of their shareholdings they will be unable to sell the Shares in the open market may wish to consider the Proposal, which allows monetising the value locked up in the Shares. In particular, the Vendor has indicated that in the event that the Proposal is not approved at the SGM and the Share Sale Agreement lapses, the Vendor may or may not dispose of its holding in the Shares on the market or otherwise. In the event that the Vendor decides to dispose all or part of its holding on the open market, the Share price will inevitably be subject to a downward pressure during the period of its disposal. Independent Shareholders should be mindful of the Vendor's intention.

D. Valuation considerations for the Mexan Offer and the Privateco Offer

1. Indicative valuation benchmarks

(i) Price-earnings multiple

One of the most commonly used benchmarks for valuing companies is the price-to-earnings ratio ("P/E"). However, as (i) the Group has incurred a net loss for the financial year 2006; (ii) based on the "Unaudited pro forma consolidated income statement of the Remaining Group for the year ended 31 March 2006" set out in Appendix IV to the Circular, the Remaining Group posted a pro forma net loss for the financial year 2006; and (iii) according to the "Combined income statements" contained in the Accountants' report on the Inventive Group set out in Appendix III to the Circular, the Inventive Group reported a net profit of HK$334.2 million for the financial year 2006 due to an approximately HK$400.2 million one-off waiver of amount due to holding company, the use of P/E as a reference to assess the offer prices is therefore not applicable.

(ii) Price-to-book value ratio ("P/B")

We set out below a comparison of the net asset value of the Group, the Inventive Group and the Remaining Group to the Combined Consideration, the Privateco Offer price and the Mexan Offer price respectively.

Table 5 — P/B analysis

	Combined Consideration/ Offer price	Net asset value per share	Premium/ (discount) implied by the Combined Consideration/ offer price	P/B
	HK$	*HK$*		*times*
The Group	0.47535	0.938[1]	(49.3%)	0.51
The Privateco Offer	0.30	0.680[2]	(55.9%)	0.44
The Mexan Offer	0.1067	0.184[3]	(42.0%)	0.58

Note:

1. Based on the audited net asset value of the Group before the Group Reorganisation of HK$1.2 billion as at 30 September 2006 set out in the "Consolidated balance sheets" contained in Appendix II to the Circular and 1,310,925,244 Shares in issue as at the Latest Practicable Date.

2. Based on the unaudited pro forma net asset value of the Inventive Group of HK$891.98 million as at 30 September 2006 set out in the "Pro forma assets and liabilities statement of the Inventive Group as at 30 September 2006" contained in Appendix V to the Circular and 1,310,925,244 Inventive Shares to be issued upon completion of the Proposal.

3. Based on the unaudited pro forma net asset value of the Remaining Group of HK$241.1 million as at 30 September 2006 set out in the "Pro forma consolidated balance sheet of the Remaining Group as at 30 September 2006" contained in Appendix IV and 1,310,925,244 Shares in issue upon completion of the Proposal.

(iii) Dividend yield

Based on the total dividends per Share for the financial year 2006 of HK$0.19 per Share, the Combined Consideration implies a dividend yield of 40.0%. Nevertheless, the Group did not declare and pay any dividend in the financial years 2004 and 2005, and it is stated in the letter from the Board that save for the proposed distribution in specie of the Inventive Shares pursuant to the Group Reorganisation and the Special Cash Dividend, the Company has not formulated any future dividend policy. Hence, we consider the use of dividend yield as reference to assess the offer prices is not applicable.

2. Comparable Offers

In assessing the fairness and reasonableness of the offer prices, we have attempted to compare them with the cash offers made within a twelve-month period prior to the Latest Practicable Date for companies listed on the main board of the Stock Exchange and are engaged in the Remaining Business and the Distributed Businesses. However, we are unable to identify any cash offer in the aforesaid period for companies engaged in similar businesses to the Remaining Business and the Distributed Businesses. In the absence of industry comparables, we have identified, to the best of our knowledge and based on the information from the website of the Stock Exchange, all offers made for companies that are listed on the main board of the Stock Exchange within a twelve-month period prior to the Latest Practicable Date (the "**Comparable Offers**") and reviewed their valuation statistics. Table 6 sets out a summary of the valuation statistics of the Comparable Offers.

Table 6: Comparable Offers

Company (stock code)	Principal activities	Date of announcement	Market capitalisation[1] *HK$ 'million*	Premium/(discount) represented by the share offer price over/(to) the closing price on the last trading day *%*	P/E[2] *times*	P/B[3] *times*	Dividend yield[4] *%*
Chun Wo Holdings Limited (711)	Civil engineering, electrical and mechanical engineering, foundation and building construction work, property development and property investment	22-Feb-06 9-May-06	625	18.3	12.0	0.8	3.0
Magnum International Holdings Limited (305)	Securities dealing and margin finance, money lending and property investment	30-Mar-06	19	(60.6)	n.a.	n.a.	n.a.
Nority International Group Limited (660)	Manufacture and export of athletic, athletic-style leisure footwear and sports shoes	4-Apr-06	126	14.6	n.a.	0.9	n.a.
The Cross-Harbour (Holdings) Limited (32)	Investment holdings, operation of driver training centres and, through its associated companies, operation of the Western Harbour Tunnel and an electronic toll collection system	10-Apr-06	1,228	(39.5)	7.4	0.6	6.9
First Pacific Company Limited (142)	Telecommunications and consumer food products operation	28-Apr-06	7,015	(32.3)	8.7	2.3	1.4
CSMC Technologies Corporation (597)	Operation of semi-conductor foundries in China	12-May-06	1,124	5.0	n.a.	0.9	n.a.
Shun Cheong Holdings Limited (650)	Provision of building related maintenance services	16-May-06	35	(18.9)	n.a.	0.6	n.a.

Company (stock code)	Principal activities	Date of announcement	Market capitalisation[1] *HK$ 'million*	Premium/ (discount) represented by the share offer price over/(to) the closing price on the last trading day *%*	P/E[2] *times*	P/B[3] *times*	Dividend yield[4] *%*
China Paradise Electronics Retail Limited (503)[5]	Operation of household appliances retail chain in China	25-Jul-06	5,219	9.0	13.3	2.4	1.7
Golden Resorts Group Limited (1031)	Holding and operation of hotels with gaming facilities in Macau	25-Jul-06	2,353	(3.0)	n.a.	1.0	n.a.
Asia Financial Holdings Limited (662)	Provision of insurance and investment services	9-Aug-06	3,703	(17.5)	20.1	1.0	2.9
Senyuan International Holdings Limited (3333)	Manufacture of vacuum circuit breakers and other components of switchgears in the PRC	22-Aug-06	454	4.2	8.3	2.3	3.7
CASH Retail Management Group Limited (996)	Operation of department store and provision of store management services in the PRC	28-Aug-06	393	(11.1)	n.a.	1.6	n.a.
Hanny Holdings Limited (275)	Trading of securities, property investment and trading, holding of vessels for sand mining and other strategic investments	1-Sep-06	1,997	7.6	96.4	0.5	2.6
China Motion Telecom International Limited (989)	Provision of international telecommunication services, mobile communications services and distribution and retail chain	8-Sep-06	30	(50.0)	n.a.	0.6	n.a.
Cosmopolitan International Holdings Limited (120)	Investment in properties and securities and provision of information technology services	4-Oct-06	80[6]	(41.9)	n.a.	0.4	n.a.
Quality HealthCare Asia Limited (593)	Health administration, medical scheme administration, and the provision of healthcare services	5-Oct-06	652	(16.7)	11.6	3.7	1.8

Company (stock code)	Principal activities	Date of announcement	Market capitalisation[1] *HK$ 'million*	Premium/ (discount) represented by the share offer price over/(to) the closing price on the last trading day *%*	P/E[2] *times*	P/B[3] *times*	Dividend yield[4] *%*
AV Concept Holdings Limited (595)	Marketing and distribution of semiconductors and electronic components, and design and manufacturing of electronic products and Internet appliances	9-Oct-06	215	8.2	20.4	0.5	3.8
Asia Commercial Holdings Limited (104)	Watch trading and luxury products retailing	27-Oct-06	227	(25.3)	41.9	1.3	n.a.
Apex Capital Limited (905)	Acquisition and disposal of investment in listed and unlisted securities	31-Oct-06	17	(6.1)	n.a.	1.6	n.a.
New World Mobile Holdings Limited (862)	Technology-related business and holding of the 23.60% interest in the issued share capital of CSL New World Mobility Limited	22-Nov-06	63[7]	51.2[8]	0.1	n.a.	n.a.
Linmark Group Limited (915)	Sourcing of apparel and accessories, hardgoods and electronics consumer goods as well as other related business	12-Dec-06	700	12.9	8.5	1.2	5.3
Foundation Group Limited (1182)	Apparel trading, securities trading and strategic investments	22-Dec-06	1,575[9]	(19.0)	n.a.	1.2	n.a.
Nority International Group Limited (660)	Manufacture and export of athletic and athletic-style leisure footwear, as well as the manufacture of working shoes, safety shoes, golf shoes and other functional shoes	24-Nov-06	111	(12.3)	n.a.	1.2	n.a.

Company (stock code)	Principal activities	Date of announcement	Market capitalisation[1] *HK$ 'million*	Premium/(discount) represented by the share offer price over/(to) the closing price on the last trading day *%*	P/E[2] *times*	P/B[3] *times*	Dividend yield[4] *%*
Climax International Company Limited (439)	Manufacturing, marketing and distribution of paper products, the original equipment manufacturing business, whereby the Group buys materials and manufactures paper products for wholesalers and retail chain stores worldwide	6-Jan-07	62[10]	(23.1)	n.a.	0.3	n.a.
Zhongtian International Limited (2379)	Provision of system integration services, development of customised software products, sale of software and hardware products; and provision of maintenance and other services	13-Feb-07	40	(42.9)	4.2	0.3	7.5
Maximum				**51.2**	**96.4**	**3.7**	**7.5**
Minimum				**(60.6)**	**0.1**	**0.3**	**1.4**
Mean				***discount* (26.3)** ***premium* 14.6**	**19.5**	**1.2**	**3.7**
Median				**(12.3)**	**11.6**	**1.0**	**3.0**
The Company[11]	Investment holding, hotel investment and operations, and toll road operations and management	16-Feb-07	623	(4.0)	n.a.	0.5	40
Privateco Offer	Distributed Businesses		393		n.a.	0.4	n.a.
Mexan Offer	Remaining Business		140		n.a.	0.6	n.a.

Note:

1. Based on the offer price and outstanding shares as at the date of the respective announcements.

2. Calculated as offer price divided by the latest audited earnings per share set out in the respective composite document or, in case of the composite document had not been published, the latest published annual report prior to the date of the respective announcements.

3. Calculated as offer price divided by the latest published net asset value per share set out in the respective composite document or, in case of the composite document had not been published, the latest published annual/interim report prior to the date of the respective announcements.

4. Calculated as offer price divided by the dividend paid for the ordinary shares for the latest financial year set out in the respective composite document or, in case of the composite document had not been published, the latest published annual report prior to the date of the respective announcements.

5. The offer price of HK$2.2354 comprised cash consideration of HK$0.1736 and the value of 0.3247 shares in GOME Electrical Appliances Holding Limited ("**GOME Shares**") based on the closing price of each GOME Share of HK$6.35, as quoted on the Stock Exchange on 17 July 2006, being the last trading day for GOME Shares prior to the date of the announcement.

6. Adjustments made to take into account the effect of an open offer.

7. Adjustments made to take into account the new shares to be issued upon the exercise of certain outstanding options by the optionholders.

8. Based on the ex-dividend price.

9. Adjustments made to take into account the effect of a share subscription.

10. Adjustments made to take into account the effect of an open offer.

11. Based on the Combined Consideration.

12. n.a. denotes not applicable as the company recorded net loss or net deficit or declared and paid no dividend.

As shown, the discount represented by the Combined Consideration to the closing price on the Last Trading Day of 4.0% is significantly smaller than the mean and median discount of the Comparable Offers. Nevertheless, the P/B implied by the Combined Consideration, the Privateco Offer price and the Mexan Offer price represent significant discounts of 58.3%, 66.7% and 50.0% respectively to the average P/B of the Comparable Offers. In light of the foregoing, the Combined Consideration, the Privateco Offer price and the Mexan Offer price are inadequate relative to the Comparable Offers. We consider the Combined Consideration, the Privateco Offer price and the Mexan Offer price do not fully reflect the underlying value of the Group, the Inventive Group and the Remaining Group respectively.

E. Other Considerations regarding the Proposal

(i) Although it is stated in the letter from the Board that it is the intention of the Vendor that the Inventive Group will not conduct any business other than the Distributed Businesses or hold any assets other than those relating to the Distributed Businesses, or be injected any major assets, or dispose of any major assets without prior approval from its shareholders. The Vendor has not proposed any alternative strategy for delivering additional value for all Inventive Shareholders. In particular, no dividend policy has been formulated for Inventive Group and the Inventive Shares will not be listed on any stock exchange.

(ii) Following the closing of the Mexan Offer, the Offeror intends to continue the Remaining Business and will regularly review the Remaining Group's business activities and explore further business investment opportunities. However, in the absence of a well-defined business plan, we cannot conclude that there will be any foreseeable positive future prospects to the Group's business after the change of control.

F. Consideration regarding the Termination Deed

As the Termination Deed is incidental to Completion and the resultant change in control of the Company, and is part and parcel of the Proposal which in our opinion is neither fair and reasonable nor in the interests of the Company and the Shareholders as a whole, we can only draw the same conclusion that the Termination Deed is neither fair and reasonable nor in the interests of the Company and the Shareholders as a whole.

G. Consideration regarding the Deed of Novation

Similarly, the Deed of Novation is also incidental to Completion and the resultant change in control of the Company. Given Express Chain is ultimately controlled by Mr. Lun and his Family Member(s), we consider it reasonable for all the obligations and liabilities imposed or to be imposed on the Company pursuant to the Deed of Undertaking to be transferred to and assumed by Mr. Lau, and for the Company to be released and discharged from its obligations and liabilities under the Deed of Undertaking with effect from Completion. However, as the Deed of Novation is part and parcel of the Proposal which in our opinion is neither fair and reasonable nor in the interests of the Company and the Shareholders as a whole, we can only draw the same conclusion that the Deed of Novation is neither fair and reasonable nor in the interests of the Company and the Shareholders as a whole.

H. Financial effects of the Proposal

Set out in Table 7 below is the pro forma financial effects of the Proposal (but excluding the Mexan Offer and the Privateco Offer) on the Group based on the "Pro forma financial information on the Remaining Group" set out in Appendix IV to the Circular:

Table 7: Pro forma financial effects of the Proposal (but excluding the Mexan Offer and the Privateco Offer)

	Before the Proposal[2] The Group	After the Proposal[2] The Remaining Group	Percentage change
Number of shares in issue	1,310,925,244	1,310,925,244	n.a
Net asset value (HK$'000)	1,229,107	241,132	(80.4%)
Net asset value per share (HK$)	0.938	0.184	(80.4%)
Loss for the year ended 31 March 2006 attributable to the equity holders of the Company (HK$'000)	108,876	42,817	60.7%
Current ratio (times)	2.8	0.5	n.a
Gearing ratio[1]	166.0%	182.3%	n.a

Notes:

1. *Calculated as total borrowings divided by shareholders' equity.*

2. *Excluding the Mexan Offer and the Privateco Offer.*

3. *n.a. denotes not applicable*

As illustrated above, had the Proposal (but excluding the Mexan Offer and the Privateco Offer) been completed on 30 September 2006, the pro forma net asset value per Share would have decreased by 80.4% as a result of deconsolidation of the Inventive Group from the Group, payment of the Special Cash Dividend and the professional and legal fees and other expenses to be incurred by the Group in relation to the Proposal (but excluding the Mexan Offer and the Privateco Offer). The Group's gearing level would have deteriorated and the working capital level would have decreased as a result of the Proposal (but excluding the Mexan Offer and the Privateco Offer).

Table 8 sets out the pro forma financial effects of the Proposal (but excluding the Mexan Offer and the Privateco Offer) on an Independent Shareholder in respect of his/her Shares based on the "Pro forma financial information on the Remaining Group" and the "Pro forma financial information on the Inventive Group" set out in Appendices IV and V respectively:

Table 8: Pro forma financial effects of the Proposal (but excluding the Mexan Offer and the Privateco Offer) on a Shareholder

	Before the Proposal [(1)]	After the Proposal [(1)]	
	The Group *(as at 30 September 2006)*	The Remaining Group *(as at 30 September 2006)*	The Inventive Group *(as at 30 September 2006)*
Net asset value (HK$)	0.938 per Share	0.184 per Share	0.680 per Inventive Share

Note:

1. *Excluding the Mexan Offer and the Privateco Offer.*

The value of the Special Cash Dividend, and the net assets per share of the Remaining Group and the Inventive Group combined of HK$0.933 represents a 0.5% discount to the net asset value of the Group before the Proposal (but excluding the Mexan Offer and the Privateco Offer). The decrease was attributable to the professional and legal fees and other expenses to be incurred by the Group in relation to the Proposal (but excluding the Mexan Offer and the Privateco Offer).

RECOMMENDATION

Having considered the principal factors discussed above, in particular, the following:

- the Combined Consideration represents discounts of 3.8%, 7.2%, 18.4%, 9.2%, 6.7%, 10.2% and 12.2% to the 5, 10, 30, 60, 90 and 180-day average closing prices of the Shares prior to the Last Trading Day and the average closing price of the Shares for the entire Pre-announcement Period respectively;
- the Shares traded at levels above the Combined Consideration in the Post-announcement Period;
- as shown in Table 6 above, the P/B implied by the Combined Consideration, the Privateco Offer price and the Mexan Offer price are inadequate relative to the mean and median P/B of the Comparable Offers, and thus is materially inadequate and does not reflect the underlying fair value of the Shares;

- outlook of the Group's toll road business and hotel investment and operations are, in general, positive;

- it is the intention of the Vendor that the Inventive Group will not conduct any business other than the Distributed Businesses or hold any assets other than those relating to the Distributed Businesses, or be injected any major assets, or dispose of any major assets unless prior approval from its shareholders has been obtained. The Vendor has not proposed any alternative strategy for delivering additional value for all Inventive Shareholders. In particular, no dividend policy has been formulated for Inventive Group and the Inventive Shares will not be listed on any stock exchange;

- Inventive Shareholders who choose not to accept the Privateco Offer and continue to hold the Inventive Shares after the Group Reorganisation could possibly be subject to compulsory acquisition under the Companies Act 1981 of Bermuda if sufficient Inventive Shares were acquired under the Privateco Offer; and

- following the close of the Mexan Offer, the Offeror intends to continue the Remaining Business and will regularly review the Remaining Group's business activities and explore further business investment opportunities. However, in the absence of a well-defined business plan, we cannot conclude that there will be any foreseeable positive future prospects to the Group's business after the change of control;

we consider that the Proposal is neither fair and reasonable to, nor in the interest of, the Independent Shareholders. We therefore recommend the Independent Shareholders, as well as the Independent Board Committee to recommend to the Independent Shareholders, to vote against the ordinary resolution regarding the Proposal to be proposed at the upcoming SGM.

Nevertheless, in view of the moderate liquidity of the Shares in the past, Independent Shareholders, especially those with relatively sizeable shareholdings, may find it difficult to dispose of their Shares in the open market without adversely affecting the market price of the Shares in the short term. Accordingly, Independent Shareholders who intend to realise their investments irrespective of the Proposal but believe that because of the size of their shareholdings that they will be unable to sell the Shares in the open market at a price higher than the Combined Consideration could consider the Proposal as an alternative exit for their investments. In particular, the Vendor has indicated that in the event that the Proposal is not approved at the SGM and the Share Sale Agreement lapses, the Vendor may or may not dispose of its holding in the Shares on the market or otherwise. In the event that the Vendor decides to dispose all or part of its holding on the open market, the Share price will inevitably be subject to a downward pressure during the period of its disposal. Independent Shareholders should be mindful of the Vendor's intention.

In addition, we note that following the Vendor becoming the controlling Shareholder of the Company in June 2003, the Company only reported a net profit for the financial year 2004 but otherwise delivered net losses for each of the financial years 2005, 2006 and the six months ended 30 September 2006, and the Share price has underperformed the Hang Seng Index and the Hang Seng Hong Kong Small Cap Index by a margin of more othan 100%. As such, Independent Shareholders who believe the operations of the Remaining Group will benefit from Mr. Lun's experiences in property investment, money lending (only on security of immovable properties or listed company shares) and the provision of hotel and property management services could also consider the Proposal, which allows them to divest their investments in the Inventive Shares and to continue to hold the Shares.

Given that there is still a considerable lead time from the date of this letter to the date of the SGM, Independent Shareholders should be mindful of, *inter alia*, any changes in the Hong Kong and international stock markets, financial, economic, market and other conditions, and the latest developments in the operating environment, industry and prospect of the Group before making a decision.

Acceptance or rejection of the Proposal is a matter for individual shareholders based on their own views as to fair value and future market conditions, their assessment of the other merits and issues discussed above, and their risk profile, liquidity preference, portfolio strategy, tax position and other factors. In particular, taxation consequences will vary widely across Shareholders. Independent Shareholders will need to consider these consequences and consult their own professional advisers if necessary.

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

SHARE SALE AGREEMENT (as amended and supplemented by a supplemental agreement dated 6 February 2007)

Date

2 January 2007

Parties

(i) Mexan Group Limited, as vendor

(ii) Mr. Lau, as Vendor's guarantor

(iii) The Offeror, as purchaser

(iv) Winland Enterprises, as purchaser's guarantor

Subject matter of the sale and purchase

The Sale Shares, being all 964,548,303 Shares held by the Vendor (representing approximately 73.58% of the existing issued share capital of the Company).

Consideration

HK$102,917,303.93 (equivalent to approximately HK$0.1067 per Share) payable in cash as follows:

(i) a deposit of HK$41,000,000 has been paid to the Vendor upon signing of the Share Sale Agreement; and

(ii) the remaining balance of HK$61,917,303.93 shall be paid by the Offeror to the Vendor at Completion.

Pursuant to the supplemental agreement dated 6 February 2007 entered into among the same parties to the Share Sale Agreement, it is agreed that the payment method for the remaining balance of the consideration of HK$61,917,303.93 shall be by way of telegraphic transfer to a designated bank account specified by the Vendor in the aforesaid supplemental agreement.

The Consideration has been arrived at after arm's length negotiations among the parties to the Share Sale Agreement taking into account that the Group would only have the Remaining Business after the Group Reorganisation.

Conditions precedent

Completion is conditional upon:

(i) the Shares remaining listed and traded on the Stock Exchange at all times from the date of the Share Sale Agreement, save for any temporary suspension not exceeding 14 consecutive trading days (except for temporary (not prolonged) suspension for the purpose of clearing the Announcement), or such longer period as the Purchaser may accept in writing, and the Stock Exchange not having indicated that it will or may impose conditions on such listing as a result of or in connection with the Share Sale Agreement or the transactions contemplated thereunder;

(ii) the Company not having received any written notice or indication from the Stock Exchange that the listing of the Shares on the Stock Exchange will be withdrawn or objected to as a result of completion of the Group Reorganisation or the Completion or in connection with the terms of the Share Sale Agreement;

(iii) the passing of a resolution by the Independent Shareholders approving the Group Reorganisation and the Special Cash Dividend and the transactions contemplated thereunder;

(iv) as at Completion no member of the Remaining Group being a party to any litigation, arbitration or prosecutions or to any other legal or contractual proceedings or hearings before any statutory, regulatory or governmental body, department, board or agency or to any disputes or to or the subject of any investigation by any authority and no litigation, arbitration, prosecutions or other legal or contractual proceedings or disputes or hearings or investigations are threatened or pending either by or against any member of the Remaining Group and there are no facts or circumstances, subsisting which will give rise to any such litigation, arbitration, prosecution, proceeding, investigation, hearing or to any dispute or to any payment and there are no unfulfilled or unsatisfied judgment or court orders against any member of the Remaining Group which, involve claims exceeding HK$10,000,000 in aggregate and each individual claim exceeding HK$500,000;

(v) delivery to the Offeror of a written confirmation issued by a branch of a designated bank in the PRC and a computer confirmation from such branch both on the date which is no earlier than two business days but before the Completion Date confirming that no corporate guarantee or other security is given by any member of the Remaining Group to such branch for the benefit of or in connection with any liability of any member of the Group (including members of the Remaining Group) as at the date of such confirmation;

(vi) delivery to the Offeror of a written confirmation from the Bank (as defined below) dated no earlier than two business days but before the Completion Date confirming that the outstanding principal amount of the Bank Loan (as defined below) does not exceed HK$388,898,164.42 as at the date of such confirmation;

(vii) apart from the Bank Loan and the Winland Loan (both as defined below), the aggregate outstanding principal amount of which does not exceed HK$440 million, the operating payables for the business of the Hotel and liabilities in relation to outstanding professional fees, the Remaining Group not having any other liabilities as at Completion;

(viii) as at Completion, the Remaining Group having cash of not less than HK$500,000 and the Properties, fixtures, plant, equipment, chattels, furnitures and receivables in relation to the Properties as shown in the relevant accounts as at 30 September 2006 in respect of City Promenade;

(ix) delivery to the Offeror of copies of receipts from a designated landlord in respect of a property in Hong Kong (which has been leased by a member of the Inventive Group and the obligations under which are guaranteed by the Company) showing that all amounts outstanding under the relevant tenancy agreement have been fully paid; and that such tenancy agreement has been validly, unconditionally and effectively terminated; and that the corporate guarantee given by the Company in respect of such tenancy agreement has been validly, unconditionally and effectively released and discharged before the Completion Date; and

(x) delivery to the Offeror of a written confirmation from another designated bank in Hong Kong confirming that all outstanding indebtedness (which had been settled in full as at the Latest Practicable Date) owed by the Group to such bank has been settled in full and the corporate guarantee given by the Company in respect of such bank borrowings has been validly, unconditionally and effectively released prior to the Completion Date.

The Offeror may waive all the conditions precedent to the Share Sale Agreement (except for condition (iii)) at any time before Completion by notice in writing. If any of such conditions shall not have been fulfilled or waived by the Offeror (as the case may be) on or before 30 June 2007 (or such later date(s) as the parties to the Share Sale Agreement may agree in writing), the Share Sale Agreement shall lapse and be of no further effect and no party to the Share Sale Agreement shall have any claim against or liability or obligation to the other parties to the Share Sale Agreement, save in respect of antecedent breaches, except that the deposit of HK$41,000,000 will be refunded by the Vendor to the Offeror without interest.

The parties to the Share Sale agreement have confirmed that as at the Latest Practicable Date, none of the above conditions had been fulfilled or waived (as the case may be).

Completion

Completion shall take place on the same day on which the condition precedent to the Share Sale Agreement last to be fulfilled (save for conditions (v) and (vi) above which are to be fulfilled as stated thereunder and/or waived (as the case may be)) is fulfilled or waived (as the case may be) or such other date as the parties may agree in writing.

MEXAN OFFER

Upon Completion, the Offeror together with parties acting in concert with it will hold 964,548,303 Shares (representing approximately 73.58% of the existing issued share capital of the Company). Subject to Completion, BOCI will, on behalf of the Offeror and pursuant to the Takeovers Code, make a mandatory unconditional cash offer to the Shareholders to acquire all the Shares other than those already held or agreed to be acquired by the Offeror and parties acting in concert with it on the following basis:

— for each Share held .... HK$0.1067 in cash

The Mexan Offer price is the same as the price per Sale Share under the Share Sale Agreement.

The making of the Mexan Offer is subject to a pre-condition (i.e. Completion taking place) being fulfilled.

The making of the Mexan Offer is a possibility only and it may or may not proceed. In the event that the Mexan Offer is made, it will be an unconditional offer.

Based on the Company's existing issued share capital of 1,310,925,244 Shares, the Mexan Offer values the entire issued share capital of the Company at approximately HK$139.9 million. Excluding the 964,548,303 Shares (representing approximately 73.58% of the existing issued share capital of the Company) which will be held by the Offeror and parties acting in concert with it upon Completion, 346,376,941 Shares (representing approximately 26.42% of the existing issued share capital of Company) will be subject to the Mexan Offer and the value of the Mexan Offer will amount to approximately HK$37.0 million. BOCI is satisfied that the Offeror has sufficient financial resources available to it to satisfy full acceptance of the Mexan Offer.

The Offeror has confirmed that as at the Latest Practicable Date, the Offeror had not received any indication or irrevocable commitment from any Shareholders that it would accept or reject the Mexan Offer.

The Shares subject to the Mexan Offer will be acquired ex-entitlements to the proposed distribution in specie of the Inventive Shares pursuant to the Group Reorganisation and the Special Cash Dividend but cum the right to receive all dividends or distributions declared, paid or made on or after the date of the Share Sale Agreement and free from all third party rights attaching thereto on or after that date.

The ad valorem stamp duty payable by the accepting Shareholders in connection with the acceptance of the Mexan Offer, amounting to HK$1.00 for every HK$1,000 or part thereof of the greater of: (i) the consideration payable by the Offeror in respect of the relevant acceptance; and (ii) the market value of the Shares, will be payable by the accepting Shareholders and will be deducted by the Offeror from the consideration payable on acceptance of the Mexan Offer. The Offeror will then pay the stamp duty on behalf of the accepting Shareholders.

As at the Latest Practicable Date, the Company had no outstanding securities, options, warrants or derivatives which are convertible into or which confer rights to require the issue of Shares. The Offeror has confirmed that the Offeror and parties acting in concert with it have not entered into any agreements in relation to the issue of any convertible securities, options, warrants or derivatives of the Company.

The Offeror has confirmed that it has no other arrangements (whether by way of option, indemnity or otherwise) in relation to the Shares which might be material to the Mexan Offer.

The Offeror has further confirmed that there are no other agreements or arrangements to which the Offeror is party which relate to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Mexan Offer.

Background of the Offeror and its intentions regarding the Company

The Offeror, a company incorporated in the BVI on 29 November 2006, was established solely for the purpose of the acquisition of the Sale Shares. Mr. Lun is the sole director and ultimate sole owner of the Offeror.

Mr. Lun, aged 73, is an experienced real property investor in Hong Kong since the 1970's. Mr. Lun was a graduate of the Civil Engineering Department of the South China University of Technology in 1957 and has been a Guest Professor of the South China University of Technology since 2001. He is the Permanent Honorary President of the Hong Kong Real Estate Agencies General Association Limited and an honorary citizen of the city of Lo Din in Guangdong Province of the PRC.

Mr. Lun is the founder of the Winland group of companies established in Hong Kong (the "**Winland Group**") which are principally engaged in the businesses of property investment, money lending (only on security of immovable properties or listed company shares) and the provision of hotel and property management services. Mr. Lun also engages in various infrastructure investments in the PRC through joint ventures.

The Offeror has confirmed that as at the Latest Practicable Date, none of the Offeror and parties acting in concert with it held any securities in the Company. The Offeror has further confirmed that save for the entering into of the Share Sale Agreement (as amended and supplemented by a supplemental agreement dated 6 February 2007), none of the Offeror and parties acting in concert with it had dealt in any securities in the Company during the period commencing on the date falling six months prior to 17 November 2006 (being the date of commencement of the offer period for the Mexan Offer as defined in the Takeovers Code) and ending on the Latest Practicable Date.

Following the close of the Offer, the Offeror intends to continue the Remaining Business and will regularly review the Remaining Group's business activities and explore further business investment opportunities. The Offeror has no intention to discontinue the employment of the employees (save for a possible change in the composition of the Board and senior management of the Remaining

Group) nor to dispose of or re-deploy the assets of the Remaining Group. Any future acquisition or disposal of assets by the Company after Completion will be subject to the provisions of the Listing Rules and in particular, the Stock Exchange may aggregate a series of transactions of the Company and such transactions may result in the Company being treated as a new applicant under the Listing Rules.

As at the Latest Practicable Date, the Company had three executive Directors, namely Mr. Lau, Mr. Tse On Kin and Ms. Ching Yung and three independent non-executive Directors, namely, Mr. Chan Wai Dune, Mr. Lau Wai and Mr. Tong Kwai Lai. It is intended that there will be a change in the composition of the Board and new directors may be appointed to the Board at the earliest time allowed under the Takeovers Code and any such appointment will be made in compliance with the Takeovers Code and the Listing Rules. As at the Latest Practicable Date, the number of new directors to be appointed to the Board had not been determined. Further announcements will be made as and when there is a change in the composition of the Board.

Intentions of the Offeror regarding the Bank Loan and the Winland Loan

City Promenade, a member of the Group and a member of the Remaining Group after completion of the Group Reorganisation, which is the registered owner of the Properties, had obtained instalment loan facilities from an independent commercial bank in Hong Kong (the "**Bank**") up to a maximum principal amount of HK$425 million (the "**Existing Bank Loan Facility**"), the aggregate outstanding principal amount under which as at the Latest Practicable Date was approximately HK$383.1 million (the "**Bank Loan**") and the accrued interest was approximately HK$1.4 million.

The Bank Loan is currently secured by, inter alia, (i) a first mortgage on the Properties; (ii) an assignment of earnings of the Properties; (iii) a corporate guarantee given by the Company; (iv) a corporate guarantee given by each of Winland Finance, Winland Enterprises and Falcome Company Limited ("**Falcome**"); (v) an undertaking to repay given by Winland Finance, Winland Enterprises and Falcome; and (vi) a personal guarantee given by Mr. Lun and his Family Member. Winland Finance, Winland Enterprises and Falcome are companies controlled by Mr. Lun and his Family Members. Mr. Lun is a director of each of Winland Finance, Winland Enterprises and Falcome.

The guarantees/undertakings provided by Winland Finance, Winland Enterprises, Falcome, Mr. Lun and his Family Member to the Bank in respect of the Bank Loan mentioned in (iv), (v) and (vi) above ("**Winland Undertakings**") were given in connection with the acquisition by Express Chain Limited ("**Express Chain**", a company controlled by Winland Enterprises) of the property interests in the commercial and car park complex of a building known as "**Elizabeth House**" in Causeway Bay, Hong Kong at a total consideration of HK$1,480 million from the Group in 2005 (the "**Elizabeth House Acquisition**").

On 22 July 2005, Express Chain and the Group entered into a formal sale and purchase agreement (the "**Elizabeth House Agreement**") in respect of the Elizabeth House Acquisition. At that time, the Group had in issue certain convertible notes in aggregate principal of HK$160 million and promissory notes in aggregate principal of HK$320 million (collectively, the "**Notes**"). The disposal of Elizabeth

House to Express Chain was subject to the consent from the holders of the Notes. Accordingly, one of the conditions for completion of the Elizabeth House Agreement was to obtain all necessary consents from the holders of the Notes or an irrevocable written undertaking being made by Express Chain to the Group that a loan will be granted or to be granted to the Group at the completion of the Elizabeth House Agreement in the sum of HK$480 million so as to enable the Company to discharge and release the Notes.

As necessary consents from the holders of the Notes were not obtained, the Bank Loan in the then principal amount of HK$425 million was arranged to be granted to City Promenade, a wholly-owned subsidiary of the Company, to facilitate satisfaction of the condition for completion of the Elizabeth House Agreement as mentioned above. A condition for the granting of the Bank Loan was that Mr. Lun and his Family Member provided personal guarantee and each of Falcome, Winland Finance and Winland Enterprises provided corporate guarantees to the Bank to guarantee the repayment of all moneys and liabilities owing by City Promenade under the Bank Loan.

To make up the balance of HK$55 million, Winland Finance granted a loan facility to City Promenade under which City Promenade had made a drawing for a principal amount of HK$55 million (the "**Winland Loan**") in order to discharge and release the Notes. As at the Latest Practicable Date, the aggregate outstanding principal amount under the Winland Loan was approximately HK$56.5 million and the accrued interest was approximately HK$3.2 million, which are secured by, inter alia, (i) a second mortgage on the Properties; (ii) a second assignment of earnings of the Properties; (iii) a share charge on all issued shares of City Promenade; and (iv) a corporate guarantee given by the Company.

Details of the Elizabeth House Acquisition were set out in the announcements of the Company dated 15 July 2005, 27 October 2005 and 14 November 2005 and the circular of the Company dated 15 August 2005. In addition to the personal guarantees and the corporate guarantees mentioned above, Winland Finance, Winland Enterprises and Falcome (all as covenantors) also gave an undertaking in favour of the Bank to undertake to repay the Bank Loan and interests thereon.

Upon Completion, Mr. Lun will become a substantial shareholder of the Company and therefore Winland Finance, Winland Enterprises, Falcome (which are companies controlled by Mr. Lun and his Family Members) and Mr. Lun's spouse, all being associates of Mr. Lun for the purpose of the Listing Rules, will become connected persons of the Company. As a result, the continued provision of the Winland Loan by Winland Finance to the Remaining Group after Completion will constitute a continuing connected transaction for the Company under Chapter 14A of the Listing Rules. Pursuant to Rule 14A.41 of the Listing Rules, the Company must comply with all reporting and disclosure requirements under Chapter 14A of the Listing Rules in respect of the Winland Loan, which will become a continuing connected transaction for the Company upon Completion. The disclosure of the details of the Winland Loan above is therefore made in compliance with Rule 14A.41 of the Listing Rules.

According to the Offeror, it has made arrangements with the Bank and Winland Finance ("**Bank Loan Arrangements**") so that, after Completion, the Existing Bank Loan Facility will be revised to a maximum principal amount of HK$455 million which will comprise of (i) an instalment loan of up to HK$185 million and a revolving loan of up to HK$200 million to be made available to City Promenade; and (ii) an instalment loan of up to HK$70 million to be made available to the holding company of City Promenade, namely Goodnews Investments Limited (collectively, the "**Revised Bank Loan Facility**") on the security of the Properties. As part of the Bank Loan Arrangements, the Winland Undertakings will be discharged and a corporate guarantee will be executed by the Company in respect of the liabilities for City Promenade and Goodnews Investments Limited of not less than HK$455 million under the Revised Bank Loan Facility. The Revised Bank Loan Facility is subject to, inter alia, Completion having taken place. It is intended that Goodnews Investments Limited will, after Completion, make a drawdown under the Revised Bank Loan Facility to repay the Winland Loan in full, and thereafter, the continuing connected transaction for the Company regarding the Winland Loan will no longer exist. The Bank Loan Arrangements are subject to formal documentation.

The Termination Deed in respect of the Management Contract

On 10 November 2005, City Promenade, Winland Hotel, Winland Finance and the Company entered into a hotel management contract which was supplemented by a supplemental management contract dated 11 November 2005 (together, the "**Management Contract**"), under which City Promenade appointed Winland Hotel in place of the then existing independent manager to manage and operate the Properties for a term of three years. Winland Hotel is a wholly-owned subsidiary of Winland Finance and Mr. Lun is a director of Winland Hotel.

The Properties comprise an 800-room fully furnished hotel known as "**Mexan Harbour Hotel**" and a restaurant in the same building located in Tsing Yi, New Territories, Hong Kong. The Group entered into a sale and purchase agreement with a subsidiary of Hutchison Whampoa Limited in October 2003 for the purpose of acquiring the Properties at a total consideration of HK$660 million. The Properties commenced operation in late December 2004.

As mentioned above, the Properties are currently managed and operated by Winland Hotel which is a member of the Winland Group and Mr. Lun is a director of it. Following Completion, it is the intention of the Offeror to appoint new directors to the Board who have relevant experience in hotel investment and operation, and for the Remaining Group to operate and manage the Properties itself after Completion. Accordingly, on the date of the Share Sale Agreement, the same parties to the Management Contract entered into a conditional deed of release and termination (the "**Termination Deed**") pursuant to which it was conditionally agreed that the Management Contract be terminated and the obligations and liabilities of the parties thereto be released save for any antecedent breach, with effect from Completion.

The Termination Deed is conditional upon: (i) completion of the Share Sale Agreement; and (ii) the passing of a shareholders' resolution of the Company in compliance with the Listing Rules approving the Termination Deed and the transactions contemplated thereunder at the SGM.

Ratification and approval of the Termination Deed will be considered at the SGM as part and parcel of the Proposal. The Vendor, the Offeror, their respective associates and parties acting in concert with each of the Vendor and the Offeror (including the Directors) will abstain from voting on the relevant resolution, which will be taken on a poll at the SGM. Neither of the above conditions can be waived.

The Deed of Novation

On 11 November 2005, the Elizabeth House Acquisition was completed. On the same day, at the request of Express Chain, the Company executed a deed of undertaking and indemnity (the "**Deed of Undertaking**") in favour of Express Chain pursuant to which the Company has undertaken to share with Express Chain, inter alia, any tax liabilities incurred by the owner of Elizabeth House up to and inclusive of 11 November 2005 in the manner stipulated therein.

The Company was indirectly controlled by Mr. Lau when the Company executed the Deed of Undertaking in favour of Express Chain, being a company ultimately controlled by Mr. Lun and his Family Members. As the Company will cease to be controlled by Mr. Lau and will become controlled by Mr. Lun through the Offeror upon Completion, Mr. Lau has agreed that the obligations of the Company under the Deed of Undertaking will be novated to Mr. Lau upon Completion, and hence, it is provided under the Share Sale Agreement that upon Completion, a deed of novation will be entered into among Express Chain, the Company and Mr. Lau (the "**Deed of Novation**") pursuant to which, all the obligations and liabilities imposed or to be imposed on the Company under the Deed of Undertaking will be transferred to and assumed by Mr. Lau, and the Company will be released and discharged from its obligations and liabilities under the Deed of Undertaking with effect from Completion.

The entering into of the Deed of Novation will be considered at the SGM as part and parcel of the Proposal. The Vendor, the Offeror, their respective associates and parties acting in concert with each of the Vendor and the Offeror (including the Directors) will abstain from voting on the relevant resolution, which will be taken on a poll at the SGM.

Save as disclosed above, the Company, Mr. Lau and Mr. Lun do not have any other existing business relationship.

Maintenance of the listing status of the Company

The Stock Exchange has stated that if, at the close of the Mexan Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the Shares, are held by the public, or if the Stock Exchange believes that:

- **a false market exists or may exist in the trading of the Shares; or**

- **there are insufficient Shares in public hands to maintain an orderly market,**

it will consider exercising its discretion to suspend dealings in the Shares.

The Offeror intends that the Company remains listed on the Stock Exchange. The sole director of the Offeror and the new directors to be appointed to the Board will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

PRIVATECO OFFER

Based on the current shareholding structure of the Company, the Vendor will be directly interested in a total of 964,548,303 Inventive Shares (representing approximately 73.58% of the then issued share capital of Inventive immediately upon completion of the Group Reorganisation). Given that the Inventive Shares will not be listed on the Stock Exchange or any other stock exchange upon completion of the Group Reorganisation and will therefore be difficult to liquidate, the Vendor considers that it is appropriate to provide the Inventive Shareholders with an opportunity to realise their holdings of Inventive Shares by making the Privateco Offer on a voluntary basis pursuant to the Takeovers Code.

After completion of the Group Reorganisation, Somerley will, on behalf of the Vendor and pursuant to the Takeovers Code, make a voluntary unconditional cash offer to the Inventive Shareholders to acquire all the Inventive Shares other than those already held by the Vendor and parties acting in concert with it on the following basis:

— for each Inventive Share held * .... HK$0.30 in cash

* *The number of Inventive Shares to be in issue will be equal to the total number of Shares in issue on the Record Date.*

The making of the Privateco Offer is subject to a pre-condition (i.e. completion of the Group Reorganisation taking place) being fulfilled.

The making of the Privateco Offer is a possibility only and it may or may not proceed. In the event that the Privateco Offer is made, it will be an unconditional offer.

The Vendor has confirmed that as at the Latest Practicable Date, the Vendor had not received any indication or irrevocable commitment from any Shareholder that it would accept or reject the Privateco Offer.

The Inventive Shares subject to the Privateco Offer will be acquired by the Vendor with the right to receive all dividends and distributions declared, paid or made on or after the date of the issue of the Inventive Shares and free from all third party rights.

As at the Latest Practicable Date, Inventive had no outstanding securities, options, warrants or derivatives which are convertible into or which confer rights to require the issue of Inventive Shares. The Vendor has confirmed that the Vendor and parties acting in concert with it have not entered into any agreements in relation to the issue of any convertible securities, options, warrants or derivatives of Inventive.

The Vendor has confirmed that it has no other arrangements (whether by way of option, indemnity or otherwise) in relation to the Inventive Shares which might be material to the Privateco Offer.

The Vendor has further confirmed that there are no other agreements or arrangements to which the Vendor is party which relate to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Privateco Offer.

Since Inventive is a company incorporated in Bermuda and its register of members is located and maintained there, no Hong Kong stamp duty is payable on any transfer of the Inventive Shares.

The Privateco Offer price has been determined after taking into account the underlying assets and liabilities of the Inventive Group as at 30 September 2006.

On the basis that 1,310,925,244 Inventive Shares are expected to be in issue upon completion of the Group Reorganisation, the Privateco Offer values the then entire issued share capital of Inventive at approximately HK$393.3 million. Assuming completion of the Group Reorganisation and based on 964,548,303 Inventive Shares (representing approximately 73.58% of the share capital of Inventive expected to be in issue) to be beneficially owned by the Vendor, 346,376,941 Inventive Shares (representing approximately 26.42% of the share capital of Inventive expected to be in issue) will be subject to the Privateco Offer and such Inventive Shares are valued at approximately HK$103.9 million.

Somerley, the financial adviser to the Vendor, is satisfied that sufficient financial resources are available to the Vendor to satisfy full acceptance of the Privateco Offer, on the basis that the Vendor will finance the aggregate cash consideration for the Privateco Offer of approximately HK$103.9 million from the proceeds received from (i) the Consideration; and (ii) its entitlement to the Special Cash Dividend of approximately HK$66.2 million.

Subject to sufficient Inventive Shares being acquired, pursuant to sections 102 and 103 of the Companies Act 1981 of Bermuda, the Vendor intends to avail itself of the right to compulsorily acquire the remaining Inventive Shares not already acquired under the Privateco Offer. Under section 102 of the Companies Act 1981 of Bermuda, the relevant threshold will be the Vendor receiving acceptances from the Inventive Shareholders representing 90% of the Inventive Shares subject to the Privateco Offer provided that if the Vendor already holds over 10% of the Inventive Shares, the acceptances must also represent 75% in number of the Inventive Shareholders accepting the Privateco Offer. Under section 103 of the Companies Act 1981 of Bermuda, the Vendor can compulsorily acquire the Inventive Shares of the remaining Inventive Shareholders once it holds 95% of all issued Inventive Shares. Further announcements will be made about the exercise of such compulsory acquisition rights.

The Vendor has confirmed that save for any entitlements to receive Inventive Shares pursuant to the Group Reorganisation, none of the Vendor and parties acting in concert with it held any securities in Inventive as at the Latest Practicable Date. The Vendor has further confirmed that none of the Vendor and parties acting in concert with it had dealt in any securities in Inventive during the period beginning six months immediately preceding 17 November 2006 (being the date of commencement of the offer period for the Privateco Offer as defined in the Takeovers Code) and ending on the Latest Practicable Date.

Background of the Vendor and its intentions regarding Inventive

The Vendor is a company incorporated in the BVI with limited liability and is beneficially and wholly-owned by Mr. Lau. Mr. Lau is also a director of the Vendor.

Mr. Lau is currently the chairman of the Company and an executive Director. He has worked in various trading companies in the PRC for approximately eight years before he started his own trading business in Hong Kong in the 1980s. Mr. Lau is currently engaged in a wide variety of businesses including PRC highway investment, highway infrastructure construction and related businesses, real estate investment and financial services.

It is the intention of the Vendor that the Inventive Group will not make changes to its principal businesses nor conduct any business other than the Distributed Businesses. It is also the intention of the Vendor that the Inventive Group will not hold any assets other than those relating to the Distributed Businesses, nor be injected any major assets, nor dispose of any major assets, after the close of the Privateco Offer, unless prior approval by the Inventive Shareholders has been obtained. Interests of the Inventive Shareholders will be safeguarded by the new bye-laws of Inventive, which will contain provisions substantially required under the Listing Rules in respect of listed issuers. A summary of key terms of the new bye-laws of Inventive is set out in Appendix IX to this circular.

Though there is no intention for the Inventive Group to conduct any fund raising activities including rights issues, the Inventive Group may require further funding from the Inventive Shareholders for the development of its businesses in the future.

As at the Latest Practicable Date, the board of directors of Inventive comprised all of the three existing executive Directors, namely Mr. Lau, Mr. Tse On Kin and Ms. Ching Yung. None of the independent non-executive Directors has been appointed as a director of Inventive. Upon the close of the Privateco Offer, the composition of the board of directors of Inventive may change. Further announcements will be made in this regard as and when appropriate.

The Vendor has indicated that in the event that the Proposal is not approved at the SGM and the Share Sale Agreement lapses, the Vendor may or may not dispose of its holding of the Shares on the market or otherwise.

FINANCIAL SUMMARY

Set out below is a financial summary of the Group extracted from the accountants' report thereon contained in this appendix:

	Year ended 31 March			Six months ended 30 September	
	2004	**2005**	**2006**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	*(audited)*	*(audited)*	*(unaudited)*	*(audited)*
Continuing operations					
Turnover	—	19,165	118,172	38,122	119,853
Loss before taxation	(10,305)	(42,392)	(76,931)	(5,808)	(44,670)
Taxation (charge)/credit	(419)	(354)	(1,415)	(1,854)	5
Loss from continuing operations	(10,724)	(42,746)	(78,346)	(7,662)	(44,665)
Discontinued operations					
Profit/(loss) from discontinued operations	84,277	(89,879)	(30,530)	(55,162)	—
Minority interests	(1,474)	—	—	—	—
Profit/(loss) attributable to equity holders of the Company	72,079	(132,625)	(108,876)	(62,824)	(44,665)

	As at 31 March			As at 30 September
	2004	**2005**	**2006**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	*(audited)*	*(audited)*	*(audited)*
Total assets	2,591,929	3,218,164	3,323,581	3,338,514
Total liabilities	(849,620)	(1,608,480)	(2,063,978)	(2,109,407)
Total equity	1,742,309	1,609,684	1,259,603	1,229,107

ACCOUNTANTS' REPORT ON THE GROUP

Set out below is the text of the accountants' report on the Group received from Horwath Hong Kong CPA Limited for incorporation in this circular:

Horwath Hong Kong CPA Limited
2001 Central Plaza
18 Harbour Road
Wanchai, Hong Kong
Telephone : (852) 2526 2191
Facsimile : (852) 2810 0502
horwath@horwath.com.hk
www.horwath.com.hk

17 March 2007

The Directors
MEXAN LIMITED

Dear Sirs,

We set out below our report on the financial information of MEXAN LIMITED (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for the three years ended 31 March 2006 and the six months ended 30 September 2006 (the "Relevant Periods") for inclusion in the circular of the Company dated 17 March 2007 (the "Circular") issued in connection with the proposal in respect of the Group Reorganisation, the Special Cash Dividend, the Termination Deed and the Deed of Novation (as defined in the Circular).

The Company was incorporated in Bermuda on 1 November 1991 with limited liability and is engaged in investment holding.

As at the date of this report, the Company had direct and indirect interests in subsidiaries as set out below:

Name of subsidiary	Place of incorporation/ establishment	Issued share capital	Proportion of nominal value of issued capital held by the Company		Principal activity
			Directly	Indirectly	
Inventive Limited[1]	Bermuda	1,000,000 shares of HK$0.1 each	100%	—	Investment holding
Inventive Limited[1]	British Virgin Islands	1 share of US$1 each	—	100%	Inactive
Mexan Resources Limited[2]	Hong Kong	2 shares of HK$1 each	—	100%	Provision of management services
Mexan Profits Limited[2]	Hong Kong	2 shares of HK$1 each	—	100%	Inactive
Mexan Development Limited[2]	Hong Kong	2 shares of HK$1 each	—	100%	Inactive

Name of subsidiary	Place of incorporation/ establishment	Issued share capital	Proportion of nominal value of issued capital held by the Company Directly	Indirectly	Principal activity
Mexan Project Development Limited[1]	British Virgin Islands	10 shares of US$1 each	—	100%	Investment holding
Mexan Properties Limited[1]	British Virgin Islands	10 shares of US$1 each	—	100%	Investment holding
Niceview Limited[2]	Hong Kong	10 shares of HK$1 each	—	100%	Inactive
Portfield Limited[2]	Hong Kong	10 shares of HK$1 each	—	100%	Investment holding
Regal Gate Holdings Limited[1]	British Virgin Islands	10 shares of US$1 each	—	100%	Investment holding
Cityguard Limited[1]	British Virgin Islands	10 shares of US$1 each	—	100%	Investment holding
All Victory Holdings Limited[1]	British Virgin Islands	1 share of US$1 each	—	100%	Inactive
Excel Nominees Limited[2]	Hong Kong	2 shares of HK$1 each	—	100%	Provision of nominees services
Winwealth Global Limited[1]	British Virgin Islands	1 share of US$1 each	—	100%	Inactive
Giantchain Limited[1]	British Virgin Islands	10 shares of US$1 each	—	100%	Investment holding
Gain Ascent (China) Limited[1]	British Virgin Islands	10 shares of US$1 each	—	100%	Inactive
Dealrich Limited[2]	Hong Kong	10 shares of HK$1 each	—	100%	Inactive
Main Lead Investment Limited[1]	British Virgin Islands	10 shares of US$1 each	—	100%	Inactive
YJ Expressway Limited[1]	British Virgin Islands	10 shares of US$1 each	—	100%	Inactive
Regal Gate Investment Limited[1]	British Virgin Islands	10 shares of US$1 each	—	100%	Investment holding
Gold Canton Investment Limited[2]	Hong Kong	3 shares of HK$1 each	—	100%	Property investment
Ningbo Beilun Port Expressway Company Limited[3]	The People's Republic of China ("PRC")	Registered capital of US$77.8 million	—	100%	Toll road operation and management
Goodnews Investments Limited[1]	British Virgin Islands	1 share of US$1 each	100%	—	Investment holding
Herovantage Limited[2]	Hong Kong	1 share of HK$1 each	—	100%	Act as nominee for staff recruitment
City Promenade Limited[2]	Hong Kong	2 shares of HK$1 each	—	100%	Hotel operation

Notes:

1. No audited financial statements have been prepared for these companies, which were incorporated in a country where there were no statutory audit requirements.

2. We have acted as auditors of there companies for each of the Relevant Periods or since their respective date of incorporation or acquisition, where this is a shorter period. Audited financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong for these companies for each of the Relevant Periods, or from their respective date of incorporation, where this is a shorter period.

3. The statutory financial statements of the company for the year ended 31 December 2005 were prepared in accordance with the relevant accounting principles and financial regulations applicable in the PRC and were audited by the PRC auditors, Ningbo Pan-China Yongde United Certified Public Accountants.

We have acted as the auditors of the Company for each of the three years ended 31 March 2006. Audited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong for each of the three years ended 31 March 2006. For the purpose of this report, we have carried out independent audit procedures in accordance with the Hong Kong Standards on Auditing issued by The Hong Kong Institute of Certified Public Accountants ("HKICPA") on the consolidated financial statements of the Group for the six months ended 30 September 2006, which were prepared in accordance with accounting principles generally accepted in Hong Kong.

We have examined the audited consolidated financial statements (the "Underlying Financial Statements") of the Group for the Relevant Periods. Our examination was made in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

The consolidated income statements, statements of changes in equity and consolidated cash flow statements of the Group for each of Relevant Periods and consolidated balance sheets as at 31 March 2004, 2005 and 2006 and 30 September 2006 as set out in this report have been prepared based on the Underlying Financial Statements for the Relevant Periods for the purpose of preparing our report for inclusion in the Circular.

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

In our opinion, the Financial Information together with the notes thereon gives, for the purpose of this report, a true and fair view of the state of affairs of the Group as at 31 March 2004, 2005 and 2006 and 30 September 2006 and of the consolidated results and cash flows of the Group for each of the three years ended 31 March 2006 and the six months ended 30 September 2006.

The comparative combined income statement and combined cash flow statement of the Group for the six months ended 30 September 2005 together with the notes thereto (the "30 September 2005 Financial Information"), were prepared by the Directors of the Company solely for the purpose of this report. We have reviewed the 30 September 2005 Financial Information in accordance with Statement of Auditing Standard 700 "Engagements to Review Interim Financial Reports" issued by the HKICPA. Our review consisted principally of making enquiries of the Group management and applying analytical procedures to the 30 September 2005 Financial Information and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the 30 September 2005 Financial Information.

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the 30 September 2005 Financial Information.

I. FINANCIAL INFORMATION

(a) CONSOLIDATED INCOME STATEMENTS

		Year ended 31 March			Six months ended 30 September	
		2004	**2005**	**2006**	**2005**	**2006**
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(Unaudited)	
CONTINUING OPERATIONS						
Turnover	*4*	—	19,165	118,172	38,122	119,853
Direct costs		—	(4,929)	(39,730)	(9,795)	(55,503)
Gross profit		—	14,236	78,442	28,327	64,350
Other revenues	*4*	26,726	51,287	23,200	17,379	5,037
Administrative expenses		(25,074)	(89,941)	(122,278)	(40,381)	(51,942)
Profit/(loss) from operations		1,652	(24,418)	(20,636)	5,325	17,445
Finance costs	*7*	(3,588)	(11,847)	(51,069)	(10,080)	(58,615)
Share of results of associated companies		(8,369)	—	—	—	—
Share of results of a jointly controlled entity		—	(6,127)	(5,226)	(1,053)	—
Decrease in fair value of investment property		—	—	—	—	(3,500)
Loss before taxation		(10,305)	(42,392)	(76,931)	(5,808)	(44,670)
Taxation (charge)/credit	*8*	(419)	(354)	(1,415)	(1,854)	5
Loss for the period from continuing operations		(10,724)	(42,746)	(78,346)	(7,662)	(44,665)
DISCONTINUED OPERATIONS						
Profit/(loss) for the year/period from discontinued operations		84,277	(89,879)	(30,530)	(55,162)	—
Net profit/(loss) for the year/period	*5*	73,553	(132,625)	(108,876)	(62,824)	(44,665)

I. FINANCIAL INFORMATION *(Continued)*

(a) CONSOLIDATED INCOME STATEMENTS *(Continued)*

		Year ended 31 March			Six months ended 30 September	
		2004	**2005**	**2006**	**2005**	**2006**
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(Unaudited)	
Attributable to:						
Equity holders of the Company		72,079	(132,625)	(108,876)	(62,824)	(44,665)
Minority interest		1,474	—	—	—	—
		73,553	(132,625)	(108,876)	(62,824)	(44,665)
Dividends	*11*	—	—	249,076	249,076	—
Earnings/(loss) per share — basic (HK cents)						
— from continuing and discontinued operations	*12*	5.67	(10.11)	(8.31)	(4.79)	(3.41)
— from continuing operations	*12*	(0.83)	(3.26)	(5.98)	(0.58)	(3.41)

I. FINANCIAL INFORMATION *(Continued)*

(b) CONSOLIDATED BALANCE SHEETS

		As at 31 March			As at 30 September
		2004	2005	2006	2006
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets					
Property, plant and equipment	*15*	2,500	688,798	708,555	699,336
Investment property	*16*	*1,620,000*	1,692,736	20,000	16,500
Intangible assets	*17*	—	13,514	1,787,080	1,793,458
Goodwill	*18*	—	—	264,430	269,293
Investment in a jointly controlled entity	*20*	—	263,873	—	—
Investments in club debentures	*22*	1,350	1,350	1,350	1,350
Amount due from a related company	*39(b)*	—	—	257,103	255,681
Deposit for acquisition of a subsidiary	*23*	—	6,000	70,000	—
Deposit for acquisition of investment properties	*24*	—	104,589	4,000	—
		1,623,850	**2,770,860**	**3,112,518**	**3,035,618**
Current assets					
Trade and other receivables, deposits and prepayments	*25*	396,056	361,960	176,528	259,844
Deposits for hotel property	*26*	280,998	—	—	—
Amount due from a related company		—	—	14,131	12,321
Pledged deposits	*27*	280,379	48,400	—	—
Cash and bank balances		10,646	36,944	20,404	30,731
		968,079	**447,304**	**211,063**	**302,896**
Current liabilities					
Trade and other payables, deposits received and accrued charges	*28*	24,759	237,559	40,151	42,881
Amounts due to related companies		—	—	10,208	24,887
Tax payable		4,319	4,065	—	—
Dividend payable		313	313	1,427	1,175
Other loans payable	*29*	20,018	—	—	—
Current portion of obligations under finance lease	*32*	306	324	342	232
Current portion of bank loans	*33*	91,000	95,000	35,373	38,810
		140,715	**337,261**	**87,501**	**107,985**
Net current assets		**827,364**	**110,043**	**123,562**	**194,911**
Total assets less current liabilities		**2,451,214**	**2,880,903**	**3,236,080**	**3,230,529**

I. FINANCIAL INFORMATION *(Continued)*

(b) CONSOLIDATED BALANCE SHEETS *(Continued)*

		As at 31 March			As at 30 September
		2004	**2005**	**2006**	**2006**
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Equity:					
Share capital	*30*	131,092	131,092	131,092	131,092
Reserves		1,611,217	1,478,592	1,128,511	1,098,015
Total equity		**1,742,309**	**1,609,684**	**1,259,603**	**1,229,107**
Non-current liabilities					
Obligations under finance lease	*32*	724	400	58	—
Bank loans	*33*	556,500	795,000	1,950,795	1,959,219
Other loans	*34*	—	—	25,619	42,203
Convertible notes	*35*	148,020	155,421	—	—
Promissory notes	*35*	—	320,000	—	—
Deferred taxation	*36*	3,661	398	5	—
		708,905	**1,271,219**	**1,976,477**	**2,001,422**
		2,451,214	**2,880,903**	**3,236,080**	**3,230,529**

I. FINANCIAL INFORMATION *(Continued)*

(c) BALANCE SHEETS

		As at 31 March			As at 30 September
		2004	**2005**	**2006**	**2006**
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets					
Property, plant and equipment	*15*	65	50	36	28
Investments in subsidiaries	*21*	1,784,079	1,487,513	797,266	887,097
Investments in club debentures	*22*	1,350	1,350	1,350	1,350
Deposit for acquisition of a subsidiary	*23*	—	—	70,000	—
		1,785,494	**1,488,913**	**868,652**	**888,475**
Current assets					
Deposits and prepayments	*25*	124,143	290,447	81,628	82,665
Cash and bank balances		5,246	22,507	18,596	14,867
		129,389	**312,954**	**100,224**	**97,532**
Current liabilities					
Other payables and accrued charges		3,886	5,214	3,000	2,587
Tax payable		462	1,182	—	—
Dividend payable		313	313	1,427	1,175
Other loans payable	*29*	20,018	—	—	—
Amounts due to subsidiaries		—	40,128	37,227	37,209
		24,679	**46,837**	**41,654**	**40,971**
Net current assets		**104,710**	**266,117**	**58,570**	**56,561**
Total assets less current liabilities		**1,890,204**	**1,755,030**	**927,222**	**945,036**
Equity:					
Share capital	*30*	131,092	131,092	131,092	131,092
Reserves	*31*	1,611,092	1,468,517	796,130	813,944
Total equity		**1,742,184**	**1,599,609**	**927,222**	**945,036**
Non-current liabilities					
Convertible notes	*35*	**148,020**	**155,421**	**—**	**—**
		1,890,204	**1,755,030**	**927,222**	**945,036**

I. FINANCIAL INFORMATION *(Continued)*

(d) CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Share premium	Capital redemption reserve	Revaluation reserve on properties held for/ under development	Revaluation reserve on other properties	Capital reserve	Exchange reserve	Retained earnings	Equity attributable to equity holders of the Company	Minority interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2003	128,648	929,824	129	7,005	348,192	69,992	(15,851)	1,315,661	2,783,600	21,619	2,805,219
Exchange differences on translation of foreign operations recognised directly in equity	—	—	—	—	—	—	(292)	—	(292)	—	(292)
Revaluation reserve realised upon disposal of properties	—	—	—	(1,011)	—	—	—	—	(1,011)	(827)	(1,838)
Share of revaluation deficit of associated companies	—	—	—	—	(2)	—	—	—	(2)	—	(2)
Net income recognised directly in equity	—	—	—	(1,011)	(2)	—	(292)	—	(1,305)	(827)	(2,132)
Net profit for the year	—	—	—	—	—	—	—	72,079	72,079	1,474	73,553
Total recognised income and expenses for the year	—	—	—	(1,011)	(2)	—	(292)	72,079	70,774	647	71,421
Recognition of equity component of convertible notes	—	—	—	—	—	14,959	—	—	14,959	—	14,959
Issue of shares	2,444	57,556	—	—	—	—	—	—	60,000	—	60,000
Distribution in specie	—	(929,824)	—	(5,994)	(348,190)	(69,992)	16,143	150,833	(1,187,024)	(22,266)	(1,209,290)
At 31 March 2004	131,092	57,556	129	—	—	14,959	—	1,538,573	1,742,309	—	1,742,309

I. FINANCIAL INFORMATION *(Continued)*

(d) CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY *(Continued)*

	Share capital	Share premium	Capital redemption reserve	Revaluation reserve on properties held for/ under development	Revaluation reserve on other properties	Capital reserve	Exchange reserve	Retained earnings	Equity attributable to equity holders of the Company	Minority interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2004	131,092	57,556	129	—	—	14,959	—	1,538,573	1,742,309	—	1,742,309
Net loss for the year	—	—	—	—	—	—	—	(132,625)	(132,625)	—	(132,625)
At 31 March 2005	131,092	57,556	129	—	—	14,959	—	1,405,948	1,609,684	—	1,609,684
Exchange differences on translation of foreign operations recognised directly in equity	—	—	—	—	—	—	10,674	—	10,674	—	10,674
Net loss for the year	—	—	—	—	—	—	—	(108,876)	(108,876)	—	(108,876)
Total recognised income and expenses for the year	—	—	—	—	—	—	10,674	(108,876)	(98,202)	—	(98,202)
Redemption of convertible notes	—	—	—	—	—	(2,803)	—	—	(2,803)	—	(2,803)
Dividends declared	—	—	—	—	—	—	—	(249,076)	(249,076)	—	(249,076)
At 31 March 2006	131,092	57,556	129	—	—	12,156	10,674	1,047,996	1,259,603	—	1,259,603
Exchange differences on translation of foreign operations recognised directly in equity	—	—	—	—	—	—	14,169	—	14,169	—	14,169
Net loss for the period	—	—	—	—	—	—	—	(44,665)	(44,665)	—	(44,665)
Total recognised income and expenses for the period	—	—	—	—	—	—	14,169	(44,665)	(30,496)	—	(30,496)
At 30 September 2006	131,092	57,556	129	—	—	12,156	24,843	1,003,331	1,229,107	—	1,229,107

I. FINANCIAL INFORMATION *(Continued)*

(e) CONSOLIDATED CASH FLOW STATEMENTS

		Year ended 31 March			Six months ended 30 September	
		2004	2005	2006	2005	2006
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Operating activities						
Profit/(loss) for the year/period		73,553	(132,625)	(108,876)	(62,824)	(44,665)
Income tax charge/(credit)		8,651	5,246	(675)	(325)	(5)
Share of results of associated companies		8,369	—	—	—	—
Share of results of a jointly controlled entity		—	6,127	5,226	1,053	—
Revaluation reserve realised upon disposal of properties held/under development		(1,838)	—	—	—	—
(Increase)/decrease in fair value of investment properties		(88,565)	127,385	(1,475)	(1,475)	3,500
Interest income		(10,565)	(18,844)	(6,995)	(3,693)	(1,442)
Interest expenses		16,162	26,320	85,772	39,096	58,606
Unclaimed dividend written back		—	—	—	—	(237)
Realised and unrecognised gains on investment securities		(42)	—	—	—	—
Loss on disposal of property, plant and equipment		—	—	—	—	4
Depreciation of property, plant and equipment		719	5,473	19,584	9,476	10,658
Amortisation of intangible assets		—	486	14,450	583	25,937
Gain on disposal of subsidiaries		—	—	(25,700)	—	—
Operating cash flows before working capital changes		6,444	19,568	(18,689)	(18,109)	52,356
Decrease/(increase) in amount due from a related company		—	—	2,027	—	(10,484)
Increase in long term receivables		51	—	—	—	—
(Increase)/decrease in trade and other receivables, deposits and prepayments		(24,757)	(60,789)	(11,843)	3,645	(48,324)
Decrease in properties held for sales		14,592	—	—	—	—
Increase/(decrease) in amounts due to related companies		—	—	6,346	—	(6,597)
Increase/(decrease) in trade and other payables, deposits received and accrued charges		9,208	210,428	(31,386)	2,058	2,056
Effect of foreign exchange rate changes		(292)	—	1,943	—	4,852
Net cash generated from/(used in) operations		5,246	169,207	(51,602)	(12,406)	(6,141)
Hong Kong profits tax paid		(2,331)	(8,765)	(2,847)	(1,530)	—
Overseas tax paid		(7)	—	—	—	—
Interest received on bank balances		3,098	8,331	6,456	3,305	1,442
Net cash generated from/(used in) operating activities		**6,006**	**168,773**	**(47,993)**	**(10,631)**	**(4,699)**

I. FINANCIAL INFORMATION *(Continued)*

(e) CONSOLIDATED CASH FLOW STATEMENTS *(Continued)*

		Year ended 31 March			Six months ended 30 September	
		2004	2005	2006	2005	2006
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Investing activities						
Acquisition of subsidiaries	*37(b)*	—	—	(178,331)	(1,788)	—
Disposal of subsidiaries	*37(c)*	—	—	345,989	—	—
Interest received on loan receivables		5,842	12,127	—	—	—
Purchase of property, plant and equipment		(7,292)	(3,941)	(262)	(118)	(745)
Loan granted		(363,931)	(35,000)	—	—	—
(Increase)/decrease in fixed deposits with the FS Company		—	(240,176)	240,176	240,176	—
Repayment of loan receivable		—	398,931	2,000	2,000	—
Purchase of investment properties		—	(300,749)	—	—	—
Purchase of hotel property		—	(85,277)	—	—	—
Payments of put and call option premium		—	(275,000)	—	—	—
Refund of option premium on cancellation		—	239,000	—	—	—
Payment for acquisition of an intangible asset		—	(14,000)	—	—	—
Investment in a jointly controlled entity		—	(270,000)	—	—	—
Deposit (paid)/refunded for acquisition of a subsidiary		—	(6,000)	(70,000)	(185,500)	70,000
Deposits paid for hotel property		(60,998)	—	—	—	—
Deposit (paid)/refunded for acquisition of investment properties		—	—	(4,000)	—	4,000
Deposit received for disposal of a subsidiary		—	—	—	148,000	—
Net amounts advanced to former associated companies		(94,049)	—	—	—	—
Distribution in specie	*37(a)*	(37,738)	—	—	—	—
Net cash (used in)/generated from investing activities		**(558,166)**	**(580,085)**	**335,572**	**202,770**	**73,255**

I. FINANCIAL INFORMATION *(Continued)*

(e) CONSOLIDATED CASH FLOW STATEMENTS *(Continued)*

	Year ended 31 March			Six months ended 30 September	
	2004	2005	2006	2005	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
Financing activities					
(Increase)/decrease in pledged deposits	(280,379)	231,979	—	—	—
Interest element of finance lease payments	(25)	(48)	(30)	(17)	(9)
New bank loans	35,000	300,500	425,000	—	—
New other loans	20,018	—	200,999	130,000	16,584
Loan from former immediate holding company	94,000	—	—	—	—
Repayment of bank loans	(80,378)	(58,000)	(76,247)	(53,540)	(16,833)
Repayment of other loans	—	(20,018)	(40,380)	—	—
Repayment of loans to minority shareholders	(1,120)	—	—	—	—
Redemption of convertible notes	—	—	(160,000)	—	—
Repayment of promissory notes	—	—	(320,000)	—	—
Interest paid on borrowings	(13,727)	(16,497)	(85,210)	(34,914)	(57,971)
Capital element of finance lease payments	(270)	(306)	(324)	(160)	(168)
Dividend paid	(2)	—	(247,962)	(249,076)	(15)
Net cash (used in)/generated from financing activities	**(226,883)**	**437,610**	**(304,154)**	**(207,707)**	**(58,412)**
(Decrease)/increase in cash and cash equivalents	**(779,043)**	**26,298**	**(16,575)**	**(15,568)**	**10,144**
Effect of change in foreign exchange rate	**—**	**—**	**35**	**—**	**183**
Cash and cash equivalents at beginning of year/period	**789,689**	**10,646**	**36,944**	**36,944**	**20,404**
Cash and cash equivalents at end of year/period	**10,646**	**36,944**	**20,404**	**21,376**	**30,731**
Analysis of the balances of cash and cash equivalents					
Cash and bank balances	**10,646**	**36,944**	**20,404**	**21,376**	**30,731**

II. NOTES TO FINANCIAL INFORMATION

1. GENERAL

The Company was incorporated in Bermuda with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

2. PRINCIPAL ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") under the historical cost convention, except for investment properties which are measured at fair value as appropriate. The Financial Information also complies with the disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange.

The principal accounting policies which have been adopted in preparing the Financial Information set out in this report are as follows:

(a) Adoption of new and revised Hong Kong Financial Reporting Standards

For the purpose of preparing and presenting the Financial Information of the Relevant Periods, the Group has early adopted all of the new and revised Hong Kong Accounting Standards ("HKASs"), Hong Kong Financial Reporting Standards ("HKFRSs") and Interpretations ("INTs") (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA, at the beginning of the Relevant Periods.

The Group has not early applied the following new standards and interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these Standards or Interpretations will have no material impact on the Financial Information of the Group.

		Effective for accounting periods beginning on or after
HKAS 1 (Amendment)	Capital Disclosures	1 January 2007
HKFRS 7	Financial Instruments: Disclosures	1 January 2007
HK (IFRIC) — Int 8	Scope of HKFRS 2	1 May 2006

(b) Group accounting

(i) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 March/30 September. Subsidiaries are those entities in which the Company, directly or indirectly, controls more than one half of the voting power; has the power to govern the financial and operating policies; to appoint or remove the majority of the members of the board of directors; or to cast majority of votes at the meetings of the board of directors.

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

All significant intercompany transactions, balances and unrealised gains on transactions between group enterprises are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment on the asset transferred.

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) Group accounting *(Continued)*

(i) Consolidation (Continued)

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

The gain or loss on the disposal of a subsidiary or an associated company represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill (net of accumulated impairment loss).

In the Company's balance sheet, the 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 and receivable.

(ii) 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 assumed in a business combination are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the acquisition 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 income statement.

(iii) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired company at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill on acquisitions of subsidiaries is presented separately. Goodwill on acquisitions of associate or jointly controlled entity is included in investment in a jointly controlled entity.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Gain or loss on the disposal of a subsidiary, an associate or a jointly controlled entity include the carrying amount of goodwill relating to the subsidiary, associate or jointly controlled entity sold.

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) Group accounting *(Continued)*

(iv) Associated company

An associate is an enterprise, not being a subsidiary nor an interest in a joint venture, over which the Group is in a position to exercise significant influence, through participation in the financial and operating policy decisions of the investee.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate are not recognised. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

Where a group enterprise transacts with an associate of the Group, unrealised gains and losses are eliminated to the extent of the Group's interest in the relevant associate, except where unrealised losses provide evidence of an impairment of the assets transferred.

In the Company's balance sheet, its investments in associates are stated at cost less impairment losses. The results of associates are accounted for by the Company on the basis of dividends received and receivable.

(v) Jointly controlled entity

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group and Company and other parties, where the contractual arrangement establishes that the Group or Company and one or more of the other parties share joint control over the economic activity of the entity.

Investments in jointly controlled entities are accounted for in the consolidated financial statements under the equity method. The consolidated income statement includes the Group's share of the post-acquisition results of jointly controlled entities for the year, and the consolidated balance sheet includes the Group's share of the net assets of the jointly controlled entities and goodwill (net of accumulated impairment loss) on acquisition.

Equity accounting is discontinued when the carrying amount of the investment in a jointly controlled entity reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the jointly controlled entity.

The jointly controlled entity has financial year, which are not co-terminus with that of the Company. Accordingly, this company has been equity accounted for based on the latest audited results and the management accounts for the remaining period.

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(c) Property, plant and equipment

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

Depreciation of property, plant and equipment is calculated to write off their costs less accumulated impairment losses to their residual values on a straight line basis over their estimated useful lives. The principal annual rates of depreciation are as follows:

Hotel property	2.5%
Leasehold improvements	20% or over the remaining lease term
Toll collection equipment	20%
Furniture, fixtures and equipment	10% - 20%
Motor vehicles and others	10% - 25%

Major costs incurred in restoring property, plant and equipment to their normal working condition are charged to the income statement.

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

(d) Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held to earn rentals and/or for capital appreciation.

Investment properties are valued annually by independent professional valuers. The valuations are on an open market value basis related to individual properties and separate values are not attributed to land and buildings. The valuations are incorporated in the annual accounts. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

(e) Intangible asset

(i) Operating right of Ningbo Beilun Port Expressway

Expenditure on acquiring the operating right of Ningbo Beilun Port Expressway is capitalised as intangible assets. Amortisation of operating rights is provided to write off their cost on a units-of-usage basis whereby amortisation is provided based on the ratio of traffic volume for a particular period over the projected total traffic volume throughout the operating period of the respective toll roads. The Group reviews regularly the projected total traffic volume throughout the operating period of the respective toll road and if considered appropriate, independent professional traffic studies will be obtained. Appropriate adjustments will be made should there be a material change in the projected total traffic volume.

(ii) Licence

Licence represents the cost of acquisition of a licence to install neon light signages for displaying the name of property and is amortised on a straight line basis over its estimated useful life.

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(f) Investments in club debentures

Investments in club debentures are stated at cost less impairment losses.

(g) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the profit or loss account, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(h) Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

(i) Receivables

Receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate provision for estimated irrecoverable amounts are recognised in income statement when there is objective evidence that the asset is impaired. The provision recognised 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 at initial recognition.

(ii) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(h) Financial instruments *(Continued)*

(iii) Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group 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 accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(iv) Borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

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

(v) Convertible notes/bonds

Convertible notes/bonds are regarded as compound instruments, consisting of a liability component and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible notes/bonds and fair value assigned to the liability component, representing the embedded option for the holder to convert the notes/bonds into equity of the Group, is included in equity (capital reserve).

Issue costs are apportioned between the liability and equity components of the convertible notes/bonds based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly to equity.

The interest expense on the liability component is calculated by applying the prevailing market interest rate of similar non-convertible debt to the liability component of the instrument. The difference between this amount and the interest paid is added to the carrying amount of the convertible loan notes/bonds.

(vi) Trade and other payables

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

(vii) Equity instruments

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

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(i) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(j) Contingent liabilities

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 accounts. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

(k) 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 profit as reported in the income statement because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax liabilities is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. However, such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) or other asset and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

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 liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associated companies and joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(l) Revenue recognition

Toll income is recognized when vehicles pass the toll road and the right of collection of toll is established. Toll income measurement and collection functions are managed by Zhejiang Expressway Clearance Centre, a provincial department, using its operating systems under a management agreement between the Group and a subdivision of Zhejiang Expressway Clearance Centre. The Group measures the toll income based on monthly statements received from Zhejiang Expressway Clearance Centre.

Operating lease rental income is recognised on a straight line basis over the lease periods.

Revenue from sale of services is recongnised when services are rendered.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

Licence fees and rental income are recongised on an accrual basis and in accordance with the agreed terms.

(m) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Retirement scheme obligations

For employees in Hong Kong, the Group participates in a master trust scheme provided by an independent Mandatory Provident Fund ("MPF") service provider to comply with the requirements under the MPF Schemes Ordinance. Contributions paid and payable by the Group to the scheme are charged to the income statement as incurred.

For employees in the People's Republic of China (the "PRC"), the Group contributes to a state-sponsored retirement plans. The Group's contributions to the defined contribution retirement scheme are expensed as incurred.

(n) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of 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 and loss in the period in which they are incurred.

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(o) Segment reporting

The Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

Unallocated costs represent corporate expenses. Segment assets comprise properties, deposits for properties and investments, operating assets and bank balances. Segment liabilities comprise operating liabilities, taxation, bank borrowings and certain corporate borrowings. Capital expenditure comprises additions to property, plant and equipment. In respect of geographical segment reporting, total assets and capital expenditure are based on where the assets are located.

(p) Translation of foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are expressed in Hong Kong Dollars which is the functional currency of the Company, and the presentation currency for the consolidated statements.

In preparing the financial statements of the individual entities, foreign currency transactions are translated into Hong Kong Dollars, being the functional currency at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operation (including comparatives) are expressed in Hong Kong Dollars using exchange rates prevailing on the balance sheet date. Income and expenses items (including comparatives) are translated at the average exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(q) Leases

(i) Finance leases

Leases where substantially all the risks and rewards of ownership of assets are transferred to the lessees are accounted for as finance leases. The amount capitalised as an asset at the inception is the present value of minimum lease payments payable during the term of the lease. The corresponding leasing commitments less the interest element are recorded as obligations under finance leases. Rentals payable in respect of finance leases are apportioned between finance charges and reduction of outstanding lease obligations based upon the interest rates implicit in the relevant leases.

(ii) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the income statement on a straight-line basis over the lease periods.

(r) Related parties

Two 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 members 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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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.

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:

Estimation of useful lives and residual value of property, plant and equipment

The Group's management determines the estimated useful lives and residual value of its property, plant and equipment. For property, plant and equipment, the estimate is based on the historical experience of the actual useful lives and residual value of these property, plant and equipment of similar nature and functions.

Management will revise the depreciation charge where useful lives and residual values are different to previously estimated, or it will write off or write down technically obsolete or non-strategy assets that have been abandoned or sold.

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation of traffic volume during the operating period of operating right of expressway

Amortisation of operating right of Ningbo Beilun Port Expressway is provided based on the ratio of traffic volume for a particular period over the projected total traffic volume throughout the period for which the Group has been granted the right to operate.

It is the Group's policy to review regularly the projected total traffic volume throughout the operating periods of the respective toll roads. If it is considered appropriate, independent professional traffic studies will be obtained. Appropriate adjustment will be made should there be a material change.

Assessment of impairment of assets

Management periodically reviews each asset for possible impairment or reversal of previously recognized impairment. Recoverability of assets is measured by a comparison of the carrying amount of an asset to its fair value less costs to sell. If such assets are considered by management to be impaired or no longer be impaired, the impairment or reversal of impairment previously recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets less costs to sell. In the analysis of fair value, the Group uses independent valuations which are based on various assumptions and estimates.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Changing the assumptions selected by management to determine the level, if any, of impairment, including the discount rates or the growth rate assumptions in the cash flows projections, could significantly affect the Group's reported financial condition and results of operation.

Measurement of convertible notes

On issuance of convertible notes, the fair value of the liability component is determined using a market rate of an equivalent non-convertible note; and this amount is carried as a long term 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 recognized and included in the equity attributable to the equity holders of the Company, net of transaction costs. The splitting of the liability and equity components requires an estimation of the market interest rate.

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

4. REVENUES AND TURNOVER

The Group is principally engaged in property investment, hotel operations, investment holding and toll road operation. Revenues recognised during the Relevant Periods are as follows:

	Year ended 31 March			Six months ended 30 September	
	2004	**2005**	**2006**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
From continuing operations					
Turnover					
Toll road income	—	—	41,545	—	79,179
Rental income	—	—	946	450	135
Hotel operations	—	19,165	75,681	37,672	40,539
	—	19,165	118,172	38,122	119,853
Other revenues					
Interest income					
— Bank and other advance	7,456	18,360	6,138	3,067	1,442
— from discontinued operations	17,473	18,721	7,975	6,616	—
Subsidy income	—	—	—	—	2,168
Unclaimed dividend written back	—	—	—	—	237
Management fee income and others from discontinued operations	1,788	12,005	9,042	7,652	—
Other income	9	2,201	45	44	1,190
	26,726	51,287	23,200	17,379	5,037
Total revenues	26,726	70,452	141,372	55,501	124,890
From discontinued operations					
Turnover					
Rental income	74,460	84,964	53,313	43,462	—
Sales of property interests	16,380	—	—	—	—
	90,840	84,964	53,313	43,462	—
Other revenues					
Interest income	3,109	484	857	626	—
Guaranteed net rental receipts *(note (i))*	16,721	20,759	2,056	—	—
Other income	1,057	25	—	—	—
	20,887	21,268	2,913	626	—
Total revenues	111,727	106,232	56,226	44,088	—

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

4. REVENUES AND TURNOVER *(Continued)*

(i) On 20 June 2003, Winsworld Properties Limited ("Winsworld"), a wholly owned subsidiary of the Company, entered into a management contract ("Management Contract") with Verywell Services Limited ("Verywell"), a wholly owned subsidiary of the former ultimate holding company. Pursuant to the Management Contract, Verywell agreed to manage and handle all matters in relation to the management of the investment properties (the "Property") owned by Winsworld for a period of three years commencing on 26 June 2003. Winsworld is entitled to an annual guaranteed net rental receipt, (being the rental receipt less the outgoings as described in the Management Contract) of HK$78 million for the contract period. On 11 November 2005, Winsworld was disposed of by the Group (note 10).

(a) Primary reporting format — business segments

The Group is organised into four main business segments during the Relevant Periods:

- Property rental
- Hotel operation
- Toll road operation
- Sales of property interests

There are no sales or other transactions between the business segments.

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

4. REVENUES AND TURNOVER *(Continued)*

(a) Primary reporting format — business segments *(Continued)*

For the year ended 31 March 2004

	Discontinued operations			Continuing operations		
	Property rental	Property development	Securities investment and trading	Other operations	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	74,460	16,380	—	—		90,840
Segment results	164,769	3,356	42	—		168,167
Unallocated corporate expenses (net)						(32,962)
Reorganisation cost						(38,609)
						96,596
Interest income						10,565
Finance costs						(16,588)
Share of results of associated companies						(8,369)
Profit before taxation						82,204
Taxation						(8,651)
Profit for the year						73,553
Segment assets	1,668,771	—	—	280,998		1,949,769
Unallocated corporate assets						642,160
Consolidated total assets						2,591,929
Segment liabilities	636,911	—	—	160,000		796,911
Deferred tax liabilities						3,661
Unallocated corporate liabilities						49,048
Consolidated total liabilities						849,620
Capital expenditure	1,435	—	—	—	2,858	4,293
Depreciation	—	—	—	—	719	719

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

4. REVENUES AND TURNOVER *(Continued)*

(a) Primary reporting format — business segments *(Continued)*

For the year ended 31 March 2005

	Continuing operations		Discontinued operations		
	Toll road operation	Hotel operation	Property rental	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	—	19,165	84,964		104,129
Segment results	—	(4,080)	(37,028)		(41,108)
Unallocated corporate expenses (net)					(69,424)
					(110,532)
Interest income					18,844
Finance costs					(29,564)
Share of results of a jointly controlled entity	(6,127)	—	—		(6,127)
Loss before taxation					(127,379)
Taxation					(5,246)
Loss for the year					(132,625)
Segment assets	—	712,450	1,877,821		2,590,271
Investments in a jointly controlled entity	263,873	—	—		263,873
Unallocated corporate assets					364,020
Consolidated total assets					3,218,164
Segment liabilities	—	490,728	1,078,470		1,569,198
Deferred tax liabilities					398
Unallocated corporate liabilities					38,884
Consolidated total liabilities					1,608,480
Capital expenditure	—	702,101	200,121	3,670	905,892
Depreciation	—	4,363	—	1,110	5,473
Amortisation	—	486	—	—	486

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

4. REVENUES AND TURNOVER *(Continued)*

(a) Primary reporting format — business segments *(Continued)*

For the year ended 31 March 2006

	Continuing operations			Discontinued operations		
	Toll road operation	**Hotel operation**	**Property rental**	**Property rental**	**Unallocated**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	41,545	75,681	946	53,313		171,485
Segment results	16,633	7,015	785	34,766		59,199
Unallocated corporate expenses (net)						(106,921)
						(47,722)
Interest income						6,995
Finance costs						(89,298)
Share of results of a jointly controlled entity	(5,226)	—	—	—		(5,226)
Gain on disposal of subsidiaries						25,700
Loss before taxation						(109,551)
Taxation						675
Loss for the year						(108,876)
Segment assets	2,376,558	704,607	20,453	—		3,101,618
Unallocated corporate assets						221,963
Consolidated total assets						3,323,581
Segment liabilities	1,588,021	458,424	12,117	—		2,058,562
Deferred tax liabilities						5
Unallocated corporate liabilities						5,411
Consolidated total liabilities						2,063,978
Capital expenditure	—	168	—	—	94	262
Depreciation	618	17,543	—	—	1,423	19,584
Amortisation	13,283	1,167	—	—	—	14,450

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

4. REVENUES AND TURNOVER *(Continued)*

(a) Primary reporting format — business segments *(Continued)*

For the six months ended 30 September 2005

	Continuing operations			Discontinued operation		
	Toll road operation *HK$'000*	**Hotel operation** *HK$'000*	**Property rental** *HK$'000*	**Property rental** *HK$'000*	**Unallocated** *HK$'000*	**Consolidated** *HK$'000*
Turnover	—	37,672	450	43,462		81,854
Segment results	—	9,154	412	34,244		43,810
Unallocated corporate expenses (net)						(69,131)
						(25,321)
Interest income						3,693
Finance costs						(40,468)
Share of results of a jointly controlled entity	(1,053)	—	—	—		(1,053)
Loss before taxation						(63,149)
Taxation						325
Loss for the period						(62,824)

For the six months ended 30 September 2006

	Toll road operation *HK$'000*	**Hotel operation** *HK$'000*	**Property rental** *HK$'000*	**Unallocated** *HK$'000*	**Consolidated** *HK$'000*
Turnover	79,179	40,539	135		119,853
Segment results	20,221	10,170	(3,692)		26,699
Unallocated corporate expenses (net)					(14,196)
					12,503
Interest income					1,442
Finance costs					(58,615)
Loss before taxation					(44,670)
Taxation					5
Loss for the period					(44,665)
Segment assets	2,487,360	695,485	16,545		3,199,390
Unallocated corporate assets					139,124
Consolidated total assets					3,338,514
Segment liabilities	1,639,571	453,506	11,684		2,104,761
Unallocated corporate liabilities					4,646
Consolidated total liabilities					2,109,407
Capital expenditure	573	172	—	—	745
Depreciation	1,155	8,787	—	716	10,658
Amortisation	25,354	583	—	—	25,937

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

4. REVENUES AND TURNOVER *(Continued)*

(b) Secondary reporting format — geographical segment

No geographical analysis of revenue is provided for the years ended 31 March 2004 and 2005 and the six months ended 30 September 2005 as less than 10% of the consolidated turnover and consolidated profit and loss of the Group are attributable to markets outside Hong Kong.

The following is an analysis of the Group's turnover, analysed by the geographical market for the year ended 31 March 2006 and the six months ended 30 September 2006:

	Year ended 31 March 2006	Six months ended 30 September 2006
	HK$'000	*HK$'000*
Hong Kong	129,940	40,674
People's Republic of China (the "PRC")	41,545	79,179
	171,485	119,853

The following is an analysis of the carrying amount of segment assets, additions to intangible assets, property, plant and equipment, analysed by the geographical area in which the assets are located:

	Year ended 31 March			Six months ended 30 September
	2004	2005	2006	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Carrying amount of segment assets				
Hong Kong	2,227,998	2,393,569	873,023	849,654
PRC	363,931	584,419	2,450,558	2,487,360
New Zealand	—	240,176	—	—
	2,591,929	3,218,164	3,323,581	3,337,014
Additions to intangible assets, property, plant and equipment				
Hong Kong	4,293	709,414	262	172
PRC	—	196,478	—	573
	4,293	905,892	262	745

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

5. NET PROFIT/(LOSS) FOR THE YEAR/PERIOD

	Year ended 31 March			Six months ended 30 September	
	2004	**2005**	**2006**	**2005**	**2006**
	HK\$'000	*HK\$'000*	*HK\$'000*	*HK\$'000*	*HK\$'000*
				(Unaudited)	
Net profit/(loss) for the year/period is stated after crediting and charging the following:					
Crediting					
Gross rental income from investment properties	74,460	84,964	54,259	43,912	135
Less: outgoings	(9,884)	(13,123)	(9,923)	(7,288)	—
Net rental income from investment properties	64,576	71,841	44,336	36,624	135
Charging					
Auditors' remuneration	1,360	716	720	288	248
Operating leases of land and buildings	2,410	4,318	3,361	1,755	1,749
Depreciation of property, plant and equipment	719	5,473	19,584	9,476	10,658
Bad debts written off and provision for bad debts (net)	1,738	186	5,308	394	5,332
Cost of properties sold	13,024	—	—	—	—
Amortisation of intangible assets	—	486	14,450	583	25,937

6. STAFF COSTS

The amount of staff costs (including directors' emoluments as disclosed in note 13) charged to the consolidated income statement represents:

	Year ended 31 March			Six months ended 30 September	
	2004	**2005**	**2006**	**2005**	**2006**
	HK\$'000	*HK\$'000*	*HK\$'000*	*HK\$'000*	*HK\$'000*
				(Unaudited)	
Salaries and allowances	18,648	24,345	46,622	9,888	16,642
Retirement benefit cost *(note 9)*	191	370	971	69	862
	18,839	24,715	47,593	9,957	17,504

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

7. FINANCE COSTS

Finance costs comprise the following:

	Year ended 31 March			Six months ended 30 September	
	2004	**2005**	**2006**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
From continuing operations					
Interest on bank loans and overdrafts					
— wholly repayable within five years	191	938	793	717	—
— not wholly repayable within five years	—	—	36,122	311	57,580
Interest on other loans wholly repayable within five year	300	100	686	—	1,017
Interest on convertible notes	2,979	7,401	4,840	3,851	—
Interest on promissory notes	—	3,343	6,076	4,813	—
Interest element of finance lease	25	48	30	18	9
Total borrowing costs incurred	3,495	11,830	48,547	9,710	58,606
Bank facilities arrangement fee	93	17	2,522	370	9
	3,588	11,847	51,069	10,080	58,615
From discontinued operations					
Interest on bank loans and overdrafts					
— wholly repayable within five years	1,207	14,490	23,398	18,536	—
— not wholly repayable within five years	12,332	—	—	—	—
Interest on other loans wholly repayable within five year	5	—	13,827	10,849	—
Interest to continuing operations	17,473	18,721	7,975	6,616	—
Total borrowing costs incurred	31,017	33,211	45,200	36,001	—
Less: amounts capitalized in properties held for/under development	(877)	—	—	—	—
	30,140	33,211	45,200	36,001	—
Bank facilities arrangement fee					
— to continuing operations	1,500	5,537	4,125	3,375	—
— others	333	3,227	1,004	1,003	—
	31,973	41,975	50,329	40,379	—

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

8. TAXATION

(a) Hong Kong profits tax has been provided at the rate of 17.5% on the estimated assessable profits for the year. Overseas taxation is provided for the overseas operations in accordance with the tax laws of the countries in which the entities operate.

The amount of taxation charged to the consolidated income statement represents:

	Year ended 31 March			Six months ended 30 September	
	2004	2005	2006	2005	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Hong Kong Profits tax					
— provision for current year	6,141	8,572	—	—	—
— under/(over) provision in prior years	47	(63)	(1,423)	(1,412)	—
	6,188	8,509	(1,423)	(1,412)	—
Overseas taxation					
— under provision in prior years	7	—	—	—	—
	6,195	8,509	(1,423)	(1,412)	—
Deferred taxation resulting from origination and reversal of temporary differences	2,456	(3,263)	748	1,087	(5)
Taxation charge/(credit)	8,651	5,246	(675)	(325)	(5)
From continuing operations	419	354	1,415	1,854	(5)
From discontinued operations	8,232	4,892	(2,090)	(2,179)	—
	8,651	5,246	(675)	(325)	(5)

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

8. TAXATION *(Continued)*

(b) The taxation on the Group's (loss)/profit before taxation differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows:

	Year ended 31 March			Six months ended 30 September	
	2004	**2005**	**2006**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
(Loss)/profit before taxation from					
— continuing operations	(10,305)	(42,392)	(76,931)	(5,808)	(44,670)
— discontinued operations	92,509	(84,987)	(32,620)	(57,341)	—
	82,204	(127,379)	(109,551)	(63,149)	(44,670)
Calculation at a taxation rate of 17.5%	14,386	(22,291)	(19,171)	(11,051)	(7,817)
Income and expenditure not subject to taxation	(2,033)	(354)	2,468	(49)	527
Expenses not deductible for tax purposes	7,817	24,824	12,298	10,208	1,298
Non-taxable items	(14,395)	(15)	(4,813)	(96)	(255)
Unrecognised tax losses and deductible temporary differences	1,224	1,989	7,648	488	6,242
Tax effect of share of results of associated companies	1,465	—	—	—	—
Tax effect of share of results of a jointly controlled entity	—	1,072	915	184	—
Over provision in prior years	—	—	(20)	(9)	—
Others	187	21	—	—	—
Taxation charge/(credit)	8,651	5,246	(675)	(325)	(5)

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

9. RETIREMENT BENEFIT COSTS

Pursuant to the MPF Schemes Ordinance, which became effective on 1 December 2000, all employees of the Group in Hong Kong aged between 18 and 65 are enrolled in the MPF Scheme.

The MPF Scheme is a master trust scheme established under trust arrangement and governed by the laws in Hong Kong. The assets of the MPF Scheme are held separately from the assets of the employer, the trustees and other service providers. The Group and the employees contribute to the MPF Scheme (the "MPF contributions") in accordance with the MPF Schemes Ordinance. The MPF contributions are fully and immediately vested in the employees as accrued benefits once they are paid to the approved trustees of the MPF Scheme. Investment income or profit derived from the investment of accrued benefits (after taking into account any loss arising from such investment) is also immediately vested in the employees.

The MPF contributions made by the Group during years ended 31 March 2004, 2005 and 2006 and the six months ended 30 September 2006 amounted to HK$191,000, HK$370,000, HK$920,000 and HK$408,000 respectively.

Pursuant to the PRC rules and regulations, members on the Group contributes to a state-sponsored retirement plans for its employees in the PRC. Members on the Group contributes approximately 20% of the basic salaries of its employees in the PRC as determined by the local government during the Relevant Periods, and have no further obligation for the actual payment of pension or post-retirement benefits beyond the annual contribution. The state-sponsored retirement plans are responsible for the entire pension obligations payable to retired employees.

10. DISCONTINUED OPERATIONS

During the Relevant Periods, the Group disposed of the following operations:

(a) On 20 June 2003, the Group completed an extensive reorganisation (the "Reorganisation"), which included, amongst other things, the cancellation and distribution of the share premium and a portion of the retained profits of the Company amounting to approximately HK$1,187,024,000 in specie in form of shares of Besteam Limited ("Besteam"), a then wholly owned subsidiary of the Company. Besteam is an investment holding company, which, upon the completion of the Reorganisation, holds certain subsidiaries and associated companies of the Group. Details of the Reorganisation have been set out in the circular of the Company dated 10 April 2003 and the composite offer document dated 30 June 2003 issued jointly by the Company and Mexan Group Limited.

(b) On 11 November 2005, the Group disposed of the entire interests in Winsworld to an independent third party. Winsworld was principally engaged in property investment and held an investment property known as "Elizabeth House" in Hong Kong.

(c) On 23 December 2005, the Group disposed of the entire interests in Pacific Land Limited, Raisefull Limited and Sharpstate Limited, all of which engaged in property investment, as partial settlement of the consideration for acquisition of the remaining 55.1% equity interest in Ningbo Beilun Port Expressway Company Limited ("Beilun Company").

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

10. DISCONTINUED OPERATIONS *(Continued)*

The profit/(loss) for the Relevant Periods from the discontinued operations is analysed as follows:

	Year ended 31 March			Six months ended 30 September	
	2004	**2005**	**2006**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Profit/(loss) of discontinued operations for the year/period	122,886	(89,879)	(6,224)	(6,132)	—
Reorganisation costs	(38,609)	—	—	—	—
Gain on disposal of discontinued operations	—	—	25,700	—	—
Cost on disposal of discontinued operations	—	—	(50,006)	(49,030)	—
	84,277	(89,879)	(30,530)	(55,162)	—

The results of discontinued operations for the Relevant Periods are as follows:

	Year ended 31 March			Six months ended 30 September	
	2004	**2005**	**2006**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Revenue	90,840	84,964	53,313	43,462	—
Direct costs	(22,865)	(13,123)	(9,828)	(7,288)	—
Gross profit	67,975	71,841	43,485	36,174	—
Other revenue	20,887	21,268	2,913	626	—
Administrative expenses	(14,336)	(8,736)	(5,858)	(6,207)	—
Profit from operations	74,526	84,373	40,540	30,593	—
Increase/(decrease) in fair value of investment properties	88,565	(127,385)	1,475	1,475	—
Finance costs	(31,973)	(41,975)	(50,329)	(40,379)	—
Profit/(loss) before taxation	131,118	(84,987)	(8,314)	(8,311)	—
Taxation	(8,232)	(4,892)	2,090	2,179	—
Profit/(loss) for the year/period	122,886	(89,879)	(6,224)	(6,132)	—

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

10. DISCONTINUED OPERATIONS *(Continued)*

During the Relevant Periods, the net cash flows attributable to the operating, investing and financing activities of discontinued operations are set out below:

	Year ended 31 March			Six months ended 30 September	
	2004	**2005**	**2006**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Net cash (outflow)/inflow from operating activities	(546,560)	215,601	(605)	(57,172)	—
Net cash outflow from investing activities	(92,614)	(307,556)	—	—	—
Net cash (outflow)/inflow from financing activities	(107,353)	(201,560)	(11,175)	47,214	—
	(746,527)	(293,515)	(11,780)	(9,958)	—

11. DIVIDENDS

Dividends approved and paid during the Relevant Periods:

	Year ended 31 March			Six months ended 30 September	
	2004	**2005**	**2006**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Dividend paid, of HK$0.19 per share	—	—	249,076	249,076	—

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

12. EARNINGS/(LOSS) PER SHARE

The calculation of the basic earnings/(loss) per share from continuing and discontinued operations attributable to the equity holders of the Company is based on the following data.

Earnings/(Losses)

	Year ended 31 March			Six months ended 30 September	
	2004	**2005**	**2006**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Loss for the year/period from continuing operation	(10,724)	(42,746)	(78,346)	(7,662)	(44,665)
Profit/(loss) for the year/period from discontinued operations	84,277	(89,879)	(30,530)	(55,162)	—
Profit/(loss) for the year/period attributable to equity holders of the Company	73,553	(132,625)	(108,876)	(62,824)	(44,665)

Number of shares

	Year ended 31 March			Six months ended 30 September	
	2004	**2005**	**2006**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Weighted average number of ordinary shares for the purposes of basic loss per share	1,296,433,434	1,310,925,244	1,310,925,244	1,310,925,244	1,310,925,244

No fully diluted earnings per share for the year ended 31 March 2006 and six months ended 30 September 2006 are shown as the Company has no potential dilutive ordinary shares at 31 March 2006 and 30 September 2006.

For the years ended 31 March 2005 and 2004, diluted loss per share is not shown as the potential ordinary shares are anti-dilutive.

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

13. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) The emoluments paid or payable to each of directors of the Company during the Relevant Periods are as follows:

For the year ended 31 March 2004

Name of director	Fees *HK$'000*	Salary, allowances and benefit in kind *HK$'000*	Inducement fees *HK$'000*	MPF contributions *HK$'000*	Total *HK$'000*
Executive directors					
Lau Kan Shan	—	4,892	—	9	4,901
Ching Yung	—	456	—	9	465
Yuen Hiu Kwan	—	475	—	9	484
Yan Sheng	—	1,659	4,000	5	5,664
Others	—	1,235	—	9	1,244
	—	8,717	4,000	41	12,758
Independent non-executive directors					
Lau Wai	75	—	—	—	75
Cheng Chun Pong, Paul	75	—	—	—	75
	150	—	—	—	150
Total	150	8,717	4,000	41	12,908

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

13. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

For the year ended 31 March 2005

Name of director	Fees	Salary, allowances and benefit in kind	Discretionary bonus	MPF contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors					
Lau Kan Shan	—	6,262	—	12	6,274
Tse On Kin	—	80	—	—	80
Ching Yung	—	551	—	12	563
Yuen Hiu Kwan	—	600	—	12	612
Yan Sheng	—	3,798	—	11	3,809
	—	11,291	—	47	11,338
Non-executive director					
Leung Heung Ying	59	—	—	—	59
Independent non-executive directors					
Chan Wai Dune	101	—	—	—	101
Lau Wai	100	—	—	—	100
Tong Kwai Lai	35	—	—	—	35
Cheng Chun Pong, Paul	65	—	—	—	65
	301	—	—	—	301
Total	360	11,291	—	47	11,698

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

13. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

For the year ended 31 March 2006

Name of director	Fees	Salary, allowances and benefit in kind	Discretionary bonus	MPF contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors					
Lau Kan Shan	—	5,501	11,500	12	17,013
Tse On Kin	—	2,640	—	12	2,652
Ching Yung	—	629	—	12	641
	—	8,770	11,500	36	20,306
Non-executive director					
Leung Heung Ying	122	—	—	—	122
Independent non-executive directors					
Chan Wai Dune	200	—	—	—	200
Lau Wai	100	—	—	—	100
Tong Kwai Lai	100	—	—	—	100
	400	—	—	—	400
Total	522	8,770	11,500	36	20,828

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

13. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

For the six months ended 30 September 2005

Name of director	Fees	Salary, allowances and benefit in kind	Discretionary bonus	MPF contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors					
Lau Kan Shan	—	3,069	—	6	3,075
Tse On Kin	—	1,314	—	6	1,320
Ching Yung	—	282	—	6	288
	—	4,665	—	18	4,683
Non-executive director					
Leung Heung Ying	120	—	—	—	120
Independent non-executive directors					
Chan Wai Dune	100	—	—	—	100
Lau Wai	50	—	—	—	50
Tong Kwai Lai	50	—	—	—	50
	200	—	—	—	200
Total	320	4,665	—	18	5,003

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

13. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

For the six months ended 30 September 2006

Name of director	Fees	Salary, allowances and benefit in kind	Discretionary bonus	MPF contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors					
Lau Kan Shan	—	2,279	—	5	2,284
Tse On Kin	—	1,319	—	5	1,324
Ching Yung	—	343	—	5	348
	—	3,941	—	15	3,956
Independent non-executive directors					
Chan Wai Dune	100	—	—	—	100
Lau Wai	50	—	—	—	50
Tong Kwai Lai	50	—	—	—	50
	200	—	—	—	200
Total	200	3,941	—	15	4,156

There were no arrangements under which any director waived or agreed to waive any emoluments in respect of each of the Relevant Periods.

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

13. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the years ended 31 March 2004, 2005 and 2006 and the six months ended 30 September 2005 and 2006 include four, three, two, two and three directors respectively whose emoluments are reflected in the analysis presented in note 13(a) above. The emoluments payable to the remaining individuals during the Relevant Periods are as follows:

	Year ended 31 March			Six months ended 30 September	
	2004	**2005**	**2006**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Salaries and other benefits	629	1,530	2,340	1,914	570
MPF contributions	—	—	12	6	6
	629	1,530	2,352	1,920	576

The emoluments fell within the following brand:

	Number of individuals				
	Year ended 31 March			Six months ended 30 September	
	2004	**2005**	**2006**	**2005**	**2006**
				(Unaudited)	
Emolument bands					
HK$					
0 — 1,000,000	1	2	3	3	2

14. PROFIT/(LOSS) FOR THE YEAR/PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit/(loss) for the years ended 31 March 2004, 2005 and 2006 and the six months ended 30 September 2006 attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK$720,552,000, HK$(142,575,000), HK$(420,508,000) and HK$17,814,000 respectively.

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

15. PROPERTY, PLANT AND EQUIPMENT

Group

	Hotel Property *HK$'000*	Leasehold improvements *HK$'000*	Toll collection equipment *HK$'000*	Furniture, fixtures and equipment *HK$'000*	Motor vehicles and others *HK$'000*	Total *HK$'000*
Cost:						
At 1 April 2003	—	—	—	7,450	6,610	14,060
Additions	—	—	—	659	2,199	2,858
Distribution in specie	—	—	—	(7,450)	(6,610)	(14,060)
At 31 March 2004	—	—	—	659	2,199	2,858
Additions	686,275	3,647	—	1,849	—	691,771
At 31 March 2005	686,275	3,647	—	2,508	2,199	694,629
Acquisition of subsidiaries	—	38,703	398	605	1,171	40,877
Additions	—	—	—	262	—	262
Exchange adjustment	—	286	3	5	8	302
At 31 March 2006	686,275	42,636	401	3,380	3,378	736,070
Additions	—	—	—	550	195	745
Disposals	—	—	—	(33)	(41)	(74)
Exchange adjustment	—	717	7	16	24	764
At 30 September 2006	686,275	43,353	408	3,913	3,556	737,505
Accumulated depreciation:						
At 1 April 2003	—	—	—	4,490	6,070	10,560
Charge for the year	—	—	—	357	362	719
Distribution in specie	—	—	—	(4,783)	(6,138)	(10,921)
At 31 March 2004	—	—	—	64	294	358
Charge for the year	4,289	425	—	209	550	5,473
At 31 March 2005	4,289	425	—	273	844	5,831
Acquisition of subsidiaries	—	862	145	397	678	2,082
Charge for the year	17,158	1,179	25	579	643	19,584
Exchange adjustment	—	9	1	3	5	18
At 31 March 2006	21,447	2,475	171	1,252	2,170	27,515
Charge for the year	8,578	1,238	39	397	406	10,658
Disposals	—	—	—	(30)	(40)	(70)
Exchange adjustment	—	36	4	9	17	66
At 30 September 2006	30,025	3,749	214	1,628	2,553	38,169
Net book value:						
At 30 September 2006	656,250	39,604	194	2,285	1,003	699,336
At 31 March 2006	664,828	40,161	230	2,128	1,208	708,555
At 31 March 2005	681,986	3,222	—	2,235	1,355	688,798
At 31 March 2004	—	—	—	595	1,905	2,500

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Group *(Continued)*

At 30 September 2006, the Group's hotel property with a carrying value of HK$656,250,000 was located in Hong Kong under lease of less than 50 years and was pledged to a bank and a third party for granting loans to the Group amounting to HK$397 million and HK$42.2 million respectively (notes 33 and 34).

Net book value of property, plant and equipment under finance lease as at 31 March 2004, 2005 and 2006 and 30 September 2006 amounted to HK$1,137,500, HK$812,500, HK$487,500 and HK$325,000 respectively.

Company

	Furniture fixtures and equipment *HK$'000*
Cost:	
At 1 April 2003	—
Additions	74
Balance at 31 March 2004, 31 March 2005, 31 March 2006 and 30 September 2006	74
Accumulated depreciation:	
At 1 April 2003	—
Change for the year	9
At 31 March 2004	9
Charge for the year	15
At 31 March 2005	24
Charge for the year	14
At 31 March 2006	38
Charge for the period	8
At 30 September 2006	46
Net book value	
At 30 September 2006	**28**
At 31 March 2006	36
At 31 March 2005	50
At 31 March 2004	65

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

16. INVESTMENT PROPERTY

	HK$'000
At 1 April 2003	1,552,820
Additions	1,435
Increase in fair value during the year	88,565
Distribution in specie	(22,820)
At 31 March 2004	1,620,000
Additions	200,121
Decrease in fair value during the year	(127,385)
At 31 March 2005	1,692,736
Acquisition of a subsidiary	20,000
Disposal of subsidiaries	(1,694,211)
Increase in fair value during the year	1,475
At 31 March 2006	20,000
Decrease in fair value during the period	(3,500)
At 30 September 2006	16,500

The Group's interests in investment properties are analysed as follows:

	As at 31 March			As at 30 September
	2004	**2005**	**2006**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Investment properties				
— in Hong Kong, held on leases of less than 50 years	—	—	20,000	16,500
— in Hong Kong, held on leases of over 50 years	1,620,000	1,480,000	—	—
— outside Hong Kong, held on leases of less than 50 years	—	212,736	—	—
	1,620,000	1,692,736	20,000	16,500

At 30 September 2006, the investment property located in Hong Kong was stated at open market value at HK$16,500,000 with reference to subsequent sale of the property on 9 February 2007.

At 30 September 2006, the investment property with the carrying value of HK$16,500,000 was mortgaged as securities for bank loans of HK$11,663,000 granted to the Group (note 33).

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

17. INTANGIBLE ASSETS

Group

	Operating right of Ningbo Beilun Port Expressway	**Licence**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Cost			
Additions during the year ended 31 March 2005 and balance as at 31 March 2005	—	14,000	14,000
Acquisition of a subsidiary	1,862,607	—	1,862,607
Exchange adjustment	13,764	—	13,764
At 31 March 2006	1,876,371	14,000	1,890,371
Exchange adjustment	34,507	—	34,507
At 30 September 2006	1,910,878	14,000	1,924,878
Accumulated amortisation			
Charge for the year ended 31 March 2005 and balance as at 31 March 2005	—	486	486
Acquisition of a subsidiary	87,654	—	87,654
Charge for the year	13,283	1,167	14,450
Exchange adjustment	701	—	701
At 31 March 2006	101,638	1,653	103,291
Charge for the period	25,354	583	25,937
Exchange adjustment	2,192	—	2,192
At 30 September 2006	129,184	2,236	131,420
Net book value			
At 30 September 2006	**1,781,694**	**11,764**	**1,793,458**
At 31 March 2006	1,774,733	12,347	1,787,080
At 31 March 2005	—	13,514	13,514

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

17. INTANGIBLE ASSETS *(Continued)*

Group *(Continued)*

At 30 September 2006, the operating right of Ningbo Beilun Port Expressway was pledged as security for the bank loan of HK$1,589 million (equivalent to RMB1,612 million) granted to the Group (note 33).

The amortisation charges of the operating right of Ningbo Beilun Port Expressway and licence for the Relevant Periods are included in direct costs and administrative expenses respectively in the consolidated income statement.

Operating right of Ningbo Beilun Port Expressway is amortised on a units-of-usage basis whereby amortisation is provided based on the ratio of traffic volume for a particular period over the projected total traffic volume throughout the operating period of the respective toll roads.

Licence is amortised over its estimated useful life of twelve years.

18. GOODWILL

	HK$'000
At 1 April 2005	—
Arising on acquisition of a subsidiary	237,413
Transfer from investment in a jointly controlled entity	24,623
Exchange adjustment	2,394
At 31 March 2006	264,430
Exchange adjustment	4,863
At 30 September 2006	269,293

For the purpose of impairment review, goodwill set out above is allocated to the cash generating unit ("CGU"), toll road operation of Beilun Company.

The recoverable amount of the CGU is determined from value in use calculation. The key assumptions for the value in use calculation are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the year. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

During the six months ended 30 September 2006, the Group performed an impairment review for goodwill based on cash flow forecasts derived from the most recent financial budgets approved by management using a discount rate of 13.22%, while the forecast is based on the financial budget which assumes no growth. The value in use calculated by using the discount rate is higher than the carrying amount of the goodwill allocated to the CGU and accordingly, no impairment loss was considered necessary.

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

19. INVESTMENT IN AN ASSOCIATED COMPANY

	As at 31 March 2004 *HK$'000*	As at 31 March 2005 *HK$'000*	As at 31 March 2006 *HK$'000*	As at 30 September 2006 *HK$'000*
Share of net assets	5	5	—	—
Amount due to an associated company	(5)	(5)	—	—
	—	—	—	—

The associated company, Victory Harvest Enterprises Limited was deregistered on 17 March 2006.

20. INVESTMENT IN A JOINTLY CONTROLLED ENTITY

	As at 31 March 2004 *HK$'000*	As at 31 March 2005 *HK$'000*	As at 31 March 2006 *HK$'000*	As at 30 September 2006 *HK$'000*
Group				
Share of net assets	—	239,250	—	—
Goodwill on acquisition	—	24,623	—	—
	—	263,873	—	—

At 31 March 2005, the Group held a 44.9% equity interest in Beilun Company. On 23 December 2005, the Group further acquired the remaining 55.1% equity interest in Beilun Company (note 37(b)(i)) and accordingly, Beilun Company became a wholly-owned subsidiary of the Company and its financial statements have been consolidated into the Group since that date.

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

21. INVESTMENTS IN SUBSIDIARIES

	As at 31 March			As at 30 September
	2004	**2005**	**2006**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Company				
Unlisted shares, at cost	1	1	1	1
Amounts due from subsidiaries	2,067,617	1,880,519	1,182,171	1,243,324
	2,067,618	1,880,520	1,182,172	1,243,325
Less: Provision	(283,539)	(393,007)	(384,906)	(356,228)
	1,784,079	1,487,513	797,266	887,097

At the balance sheet date, the amounts due from subsidiaries were unsecured, non-interest bearing and had no fixed terms of repayment.

22. INVESTMENTS IN CLUB DEBENTURES

	As at 31 March			As at 30 September
	2004	**2005**	**2006**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Group				
Club debentures — at cost	1,350	1,350	1,350	1,350

23. DEPOSIT FOR ACQUISITION OF A SUBSIDIARY

The balance as at 31 March 2006 represented a deposit of HK$70,000,000 paid into an escrow account held by a PRC lawyer for the proposal of acquisition of 100% equity interest in an enterprise which owned and operated a toll road in the PRC. Subsequent to 31 March 2006, the Group decided to put aside the proposal temporarily and the deposit was then refunded in full on 15 June 2006.

The amount in 2005 represented a deposit of HK$6,000,000 paid for acquisition of the entire equity interest in Gold Canton Investment Limited ("Gold Canton").

24. DEPOSIT FOR ACQUISITION OF INVESTMENT PROPERTIES

The balance represented payments for acquisition of properties which were located in the PRC.

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

25. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

		As at 31 March		As at 30 September
	2004	**2005**	**2006**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Group				
Trade receivables *(note (a))*	2,856	6,240	21,496	4,179
Loan receivables *(note (b))*	363,931	36,000	34,000	34,000
Fixed deposits with FS Company *(note (c))*	—	240,176	—	—
Other receivables	16,721	10,498	33,752	31,705
Deposits for construction and maintenance contracts	—	—	—	103,991
Other deposits and prepayments	12,548	69,046	87,280	85,969
	396,056	361,960	176,528	259,844
Company				
Loan receivables *(note (b))*	123,837	—	—	—
Fixed deposits with FS Company *(note (c))*	—	240,176	—	—
Deposits and prepayments	306	50,271	81,628	82,665
	124,143	290,447	81,628	82,665

(a) The Group allows an average credit period of one month to its trade customers. All the trade receivables are expected to be recovered within one year, the trade receivables are all net of impairment loss for bad and doubtful debts. The following is an ageing analysis of trade receivables at the balance sheet date:

		As at 31 March		As at 30 September
	2004	**2005**	**2006**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Group				
Within 30 days	1,846	2,502	14,724	4,179
31 — 60 days	737	1,007	5,890	—
61 — 90 days	16	959	882	—
Over 90 days	257	1,772	—	—
	2,856	6,240	21,496	4,179

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

25. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS *(Continued)*

(b) Included in loan receivables as at 31 March 2004 was loan of HK$195,090,000 granted to the borrower to finance its acquisition of the entire equity interest in four companies (the "Target Companies"). The equity interest in one of the Target Companies was held by two companies (the "Registered Shareholders"), owned by a director of the Company, in trust for the borrower. The directors of the Company have confirmed that the borrower is not related to the Group or any of the Company's directors or substantial shareholders. This loan was interest bearing at 5% per annum. During the year ended 31 March 2005, the loan receivable was repaid by the assignment of a fixed deposit of HK$200 million held in an overseas finance service company (the "FS Company") by one of the Registered Shareholders to the Company on behalf of the borrower.

The other loan receivables amounting to HK$168,841,000 as at 31 March 2004 were granted to four borrowers to finance their acquisition of equity interest in various companies holding property projects. The loans bore interest ranging from 0.5% above the Hong Kong Prime rate to 8% per annum and are secured by personal guarantees of the shareholders of the borrowers. During the year ended 31 March 2005, all these loans were repaid. The directors of the Company have confirmed that the borrowers are not related to the Group or any of the Company's directors or substantial shareholders.

The directors of the Company have confirmed that the borrowers are not related to the Group or any of the Company's directors or substantial shareholders.

In 2005, the Group entered into a call option agreement with three third parties (collectively the "Vendors") whereby an option premium of HK$55 million was paid to the Vendors to acquire a right (the "Call Option") to buy 65% equity interest in a company which holds equity interest in a number of toll road projects in the PRC at consideration of HK$500 million. Subsequently, the Call Option was cancelled and the Vendors repaid HK$19 million and HK$2 million to the Group in the years ended 31 March 2005 and 2006 respectively. In July 2006, the Group and another third party entered into a debt assignment whereby the Group assigned the remaining balance to the third party. On 5 January 2007, the Group received the amount in full.

(c) The balance as at 31 March 2005 represented fixed deposits of HK$240,176,000 in an overseas financial service company (the "FS Company") which bore interest ranging from 0.5% to 4% per annum. During the year ended 31 March 2006, the deposits were withdrawn by the Group.

26. DEPOSITS FOR HOTEL PROPERTY

Deposits paid as at 31 March 2004 represented partial payments for the acquisition cost of the hotel property, which was under development then. In December 2004, the Group completed the acquisition and the deposits paid were transferred to property, plant and equipment as part of the cost of the hotel property.

27. PLEDGED DEPOSITS

The amounts as at 31 March 2004 and 2005 represented deposits pledged to a bank in Hong Kong to secure banking facilities granted to the Group.

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

28. TRADE AND OTHER PAYABLES, DEPOSITS RECEIVED AND ACCRUED CHARGES

	As at 31 March			As at 30 September
	2004	**2005**	**2006**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Group				
Rental deposits (i)	15,899	18,215	180	—
Other payables and accrued charges (ii)	8,860	219,344	39,971	42,881
	24,759	237,559	40,151	42,881

(i) Rental deposits are repayable when the tenancy contracts lapse.

(ii) On 17 January 2005, the Group entered into a memorandum of understanding ("MOU") with an independent third party whereby the Group and the third party shall form a jointly venture targeting to acquire equity interests in toll road projects in the PRC. Pursuant to the MOU, the independent third party paid deposits of HK$200,000,000 and HK$100,000,000 to the Group for the above purpose in 2005 and 2006 respectively.

In the year ended 31 March 2006, the Group and the third party agreed to cancel the MOU and the deposit of HK$300,000,000 was re-financed into a short term loan under a loan agreement dated 28 April 2005.

29. OTHER LOANS PAYABLE

	As at 31 March 2004
	HK$'000
Group and Company	
Amount due to a director *(Note (a))*	10,018
Loan from a former director *(Note (b))*	10,000
	20,018

Notes:

(a) Amount due to a director was unsecured, non-interest bearing and was fully repaid during the year ended 31 March 2005.

(b) Loan from a former director was unsecured, interest bearing at 4% per annum and was fully repaid during the year ended 31 March 2005.

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

30. SHARE CAPITAL

	Ordinary shares of HK$0.10 each	
	Number of shares	*HK$'000*
Authorised:		
At 31 March 2004, 2005, 2006 and 30 September 2006	2,000,000,000	200,000
Issued and fully paid:		
At 31 March 2004, 2005, 2006 and 30 September 2006	1,310,925,244	131,092

All the shares in issue rank pari passu in all respects including all rights as to dividends, voting and capital.

31. RESERVES

Company

	Share premium	**Capital redemption reserve**	**Capital reserve**	**Retained profits**	**Total**
	HK$'000	*HK$'000*	*HK$'000* *(Note (i))*	*HK$'000*	*HK$'000*
At 1 April 2003	929,824	129	—	1,220,988	2,150,941
Distribution in specie	(929,824)	—	—	(403,092)	(1,332,916)
Profit for the year	—	—	—	720,552	720,552
Issue of share capital	57,556	—	—	—	57,556
Recognition of equity component of convertible notes	—	—	14,959	—	14,959
At 31 March 2004	57,556	129	14,959	1,538,448	1,611,092
Loss for the year	—	—	—	(142,575)	(142,575)
At 31 March 2005	57,556	129	14,959	1,395,873	1,468,517
Loss for the year	—	—	—	(420,508)	(420,508)
Redemption of convertible notes	—	—	(2,803)	—	(2,803)
Dividends paid	—	—	—	(249,076)	(249,076)
At 31 March 2006	57,556	129	12,156	726,289	796,130
Profit for the period	—	—	—	17,814	17,814
At 30 September 2006	57,556	129	12,156	744,103	813,944

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

31. RESERVES *(Continued)*

(i) The capital reserve comprises the value of the unexercised equity component of convertible notes issued by the Company recognized in accordance with the accounting policy adopted for convertible notes in note 2(h)(v).

(ii) The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as the effective portion of any foreign exchange differences arising from hedges of the net investment in these foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 2(p).

(iii) At 31 March 2004, 2005 and 2006 and 30 September 2006, the aggregate amount of reserves available for distribution to equity shareholders of the Company was HK$1,553,407,000, HK$1,410,832,000, HK$738,445,000, HK$756,259,000 respectively.

32. OBLIGATIONS UNDER FINANCE LEASE

At the balance sheet date, the Group's obligations under finance lease are repayable as follows:

		As at 31 March		As at 30 September
	2004	**2005**	**2006**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Group				
Within one year	354	354	354	236
In the second year	354	354	59	—
In the third to fifth year	414	59	—	—
	1,122	767	413	236
Future finance charges on finance lease	(92)	(43)	(13)	(4)
Present value of finance lease obligations	1,030	724	400	232
The present value of finance lease obligations is as follows:				
Within one year	306	324	342	232
In the second year	324	342	58	—
In the third to fifth year	400	58	—	—
	1,030	724	400	232

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

33. BANK LOANS

	As at 31 March			As at 30 September
	2004	**2005**	**2006**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Group				
Bank loans, secured	612,500	855,000	1,986,168	1,998,029
Bank loans, unsecured	35,000	35,000	—	—
	647,500	890,000	1,986,168	1,998,029
Less: Amount due for settlement within 12 months (shown under current liabilities)	(91,000)	(95,000)	(35,373)	(38,810)
Amount due for settlement after 12 months	556,500	795,000	1,950,795	1,959,219

At 31 March 2006 and 30 September 2006, bank loans are secured by a charge over the hotel property, investment property and the operating right of the Ningbo Beilun Port Expressway of the Group (notes 15 to 17).

The bank loans as at 31 March 2004 and 2005 were secured by the investment properties and other specified assets of the Group and corporate guarantees of the Company.

The analysis of the above is as follows:

	As at 31 March			As at 30 September
	2004	**2005**	**2006**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Wholly repayable within five years	35,000	890,000	—	613,293
Not wholly repayable within five years	612,500	—	1,986,168	1,384,736
	647,500	890,000	1,986,168	1,998,029

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

33. BANK LOANS *(Continued)*

At the balance sheet date, the Group's bank loans are repayable as follows:

	As at 31 March			As at 30 September
	2004	**2005**	**2006**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	91,000	95,000	35,373	38,810
In the second year	64,000	60,000	54,025	82,582
In the third to fifth year	249,000	735,000	432,104	491,901
After five years	243,500	—	1,464,666	1,384,736
	647,500	890,000	1,986,168	1,998,029

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

	As at 31 March			As at 30 September
	2004	**2005**	**2006**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong dollar	647,500	890,000	425,913	409,081
Renminbi	—	—	1,560,255	1,588,948
	647,500	890,000	1,986,168	1,998,029

The effective interest rates at the balance sheet date were as follows:

	As at 31 March			As at 30 September
	2004	**2005**	**2006**	**2006**
Bank borrowings				
Hong Kong dollar	1.053%	3.977%	5.321%	5.091%
Renminbi	—	—	5.814%	5.814%

The carrying amount of borrowings approximates their fair value.

The bank borrowings carry a variable interest rate with reference to the Hong Kong Dollar Prime Lending Rate and lending rates quoted by Bank of China Limited.

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

34. OTHER LOAN

The other loan is secured by a second legal charge over the hotel property of the Group, bears interest at rate of 6% per annum and repayable by November 2008.

35. CONVERTIBLE NOTES AND PROMISSORY NOTES

The convertible notes and promissory notes were issued by the Group in the years ended 31 March 2004 and 2005 respectively for satisfying part of the consideration for the acquisition of the Group's hotel property. Both of the notes were secured by a mortgage of the hotel property and the entire issued shares of City Promenade Limited, the Company's subsidiary which holds the hotel property.

The convertible notes bore interest at 3% per annum and were convertible into ordinary shares of the Company at HK$3 per share, subject to adjustment, if any at the option of the holders of the notes. The notes would mature by 5 November 2006.

The promissory notes bore interest at a rate of 3% per annum and would mature on 23 December 2007. In November 2005, the Group repaid the promissory notes in full.

The carrying amount of the convertible notes in issue was split into the equity and liability components. The fair value of the liability component was calculated using a market interest rate of 5% at the date of grant. The residual amount, representing the value of the equity conversion component, is included in shareholders' equity in capital reserve.

In November 2005, the Group redeemed the convertible notes at HK$160 million. The difference between the fair value amount allocated to the liability component and the redemption value amounted to HK$2,803,000 and recognised in equity directly.

The movement on the liability component of the convertible notes is as follows:

				As at
		As at 31 March		30 September
	2004	**2005**	**2006**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Liability at beginning of year/period	—	148,020	155,421	—
Issue of convertible notes	145,041	—	—	—
Interest expenses	2,979	7,401	4,840	—
Interest paid	—	—	(3,064)	—
Redemption	—	—	(157,197)	—
Liability at end of year/period	148,020	155,421	—	—

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

36. DEFERRED TAX LIABILITIES

Deferred taxation is calculated in full on temporary differences under the liability method using a taxation rate of 17.5%.

The movement on the deferred tax liabilities account is as follows:

		As at 31 March		As at 30 September
	2004	2005	2006	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At beginning of year/period	1,030	3,661	398	5
Deferred taxation charged/(credited) to consolidated income statement *(note 8)*	2,456	(3,263)	748	(5)
Distribution in specie	175	—	—	—
Disposal of subsidiaries	—	—	(1,141)	—
At end of year/period	3,661	398	5	—

The movement in deferred tax liabilities and assets (prior to offsetting of balances within the same taxation jurisdiction) during the Relevant Periods are as follows:

Deferred tax liabilities	**Accelerated tax depreciation**	**Others**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 April 2003	811	442	1,253
Charged/(credited) to consolidated income statement	2,535	(55)	2,480
Distribution in specie	(72)	—	(72)
At 31 March 2004	3,274	387	3,661
Charged/(credited) to consolidated income statement	495	(387)	108
At 31 March 2005	3,769	—	3,769
Charged to consolidated income statement	625	—	625
Disposal of subsidiaries	(1,141)	—	(1,141)
At 31 March 2006	3,253	—	3,253
Charged to consolidated income statement	386	—	386
At 30 September 2006	3,639	—	3,639

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

36. DEFERRED TAX LIABILITIES *(Continued)*

Deferred tax assets	**Tax losses**	**Others**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 April 2003	—	(223)	(223)
Credited to consolidated income statement	—	(24)	(24)
Distribution in specie	—	247	247
At 31 March 2004	—	—	—
Credited to consolidated income statement	(3,368)	(3)	(3,371)
At 31 March 2005	(3,368)	(3)	(3,371)
Charged to consolidated income statement	120	3	123
At 31 March 2006	(3,248)	—	(3,248)
Credited to consolidated income statement	(391)	—	(391)
At 30 September 2006	(3,639)	—	(3,639)

Deferred income tax assets are recognised for tax losses carry forwards and deductible temporary differences to the extent that realisation of the related tax benefit through the future taxable profits is probable. Details of unrecognised temporary differences as at the year/period end are as follows:

		As at 31 March		**As at 30 September**
	2004	**2005**	**2006**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Group				
Unutilised tax losses	835	32	82,729	91,226

Included in the unrecognised untilised tax losses as at 30 September 2006 is an amount of HK$50,537,000 (equivalent to RMB51,270,000) which will expire between 2007 and 2010. The remaining may be carried forward indefinitely.

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

37. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENTS

(a) Distribution in specie

As disclosed in note 10(a), on 20 June 2003, the Group disposed of its interests in Besteam by distribution in specie. The net assets at the date of distribution were as follows:

	HK$'000
Net assets distributed	
Property, plant and equipment	25,959
Investments in associates	1,008,736
Properties held for/under development	235,475
Investment securities	6,001
Long term receivables	6,608
Accounts receivable, deposits and prepayments	143,322
Properties held for sale	86,543
Other investments	1,626
Deferred tax assets	175
Cash and bank balances	37,738
Accounts payable, deposits received and accrued charges	(41,959)
Taxation	(5,723)
Bank loans	(201,211)
Amount due to a former immediate holding company	(22,266)
Minority interests	(94,000)
	1,187,024

Analysis of the net cash outflow in respect of the distribution in specie:	
Cash and bank balances	37,738

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

37. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENTS *(Continued)*

(b) Acquisition of subsidiaries

(i) On 23 December 2005, the Group acquired a further 55.1% equity interest in its jointly controlled entity, Beilun Company for consideration of HK$530 million. After the acquisition, the Group holds 100% equity interest in Beilun Company. This transaction has been accounted for by the purchase method of accounting.

	HK$'000
Net assets acquired	
Intangible assets	1,774,953
Property, plant and equipment	38,795
Trade and other receivables, deposits and prepayments	46,576
Amounts due from related companies	273,261
Cash and bank balances	8,956
Accounts and other payables	(58,858)
Amount due to related companies	(3,862)
Bank borrowings	(1,548,810)
	531,011
55.1% equity interest acquired	292,587
Goodwill	237,413
Total consideration	530,000
Total consideration is satisfied by	
Cash	185,500
Entire interests (including the loans made by the Group) in three subsidiaries, which held properties in the PRC *(note 37(c)(ii))*	344,500
	530,000

The goodwill arising on the acquisition of Beilun Company is attributable to the anticipated profitability of the toll road operation of Beilun Company.

Beilun Company contributed HK$41,545,000 to the Group's revenue and incurred loss of HK$10,783,000 before taxation to the Group for the period from the date of acquisition to 31 March 2006.

If the acquisition had been completed on 1 April 2005, total group revenue for the year ended 31 March 2006 would have been HK$263,362,000, and loss for the year ended 31 March 2006 would have been HK$151,988,000.

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

37. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENTS *(Continued)*

(b) Acquisition of subsidiaries *(Continued)*

(ii) On 10 May 2005, the Group acquired 100% equity interest in Gold Canton for a cash consideration of HK$7,788,000. This transaction has been accounted for by the purchase method of accounting.

The net assets acquired in the transaction are as follows:

	Acquiree's carrying amount before combination	**Fair value adjustments**	**Fair value**
	HK$'000	*HK$'000*	*HK$'000*
Net assets acquired:			
Investment property	15,899	4,101	20,000
Prepayments	4	—	4
Cash and bank balances	1	—	1
Accrued charges	(57)	—	(57)
Bank borrowings	(12,160)	—	(12,160)
	3,687	4,101	
Total consideration			7,788

Part of consideration amounting to HK$6,000,000 was prepaid in the year ended 31 March 2005 and the remaining balance of HK$1,788,000 was settled in cash in year ended 31 March 2006.

Gold Canton contributed revenue of HK$945,000 and profit of HK$27,000 before taxation to the Group for the period from the date of acquisition to 31 March 2006.

(iii) Net cash outflow arising on acquisition of subsidiaries:

	HK$'000
Cash consideration paid	(187,288)
Cash and cash equivalents acquired	8,957
	(178,331)

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

37. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENTS *(Continued)*

(c) Disposal of subsidiaries

(i) As disclosed in note 10(b), on 11 November 2005 the Group disposed of its subsidiary, Winsworld.

The net assets of Winsworld at the date of disposal of and at 31 March 2005 were as follow:

	11/11/2005	**31/03/2005**
	HK$'000	*HK$'000*
Property, plant and equipment	1,480,000	1,480,000
Trade and other receivables, deposits and prepayments	1,679	19,954
Pledged deposits	48,939	48,400
Cash and bank balances	363	12,143
Other payables, deposits received and accrued charges	(23,693)	(221,431)
Taxation	205	(1,570)
Bank borrowings	(825,000)	(855,000)
Other borrowings	(335,000)	—
Deferred taxation	(1,141)	(2,853)
		479,643
Total consideration satisfied by cash	346,352	

During the period from 1 April 2005 to the date of disposal, Winsworld utilised HK$605,000 and HK$11,175,000 on operating and investing activities respectively.

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

37. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENTS *(Continued)*

(c) Disposal of subsidiaries *(Continued)*

(ii) As disclosed in note 37(b)(i), the Group disposed of entire interests in Pacific Land Limited, Raisefull Limited and Sharpstate Limited for settlement of consideration of HK$344.5 million.

The net assets of the subsidiaries (excluding loans made by the Group) at the date of disposal of and at 31 March 2005 were as follow:

	23/12/2005	**31/03/2005**
	HK$'000	*HK$'000*
Property, plant and equipment	—	3,221
Investment properties	214,212	212,736
Deposit for investment property	104,588	104,588
Interest in a jointly controlled entity	—	263,873
Cash and bank balances	—	1
Accrued charges	—	(125)
Taxation	—	(140)
	318,800	584,154
Gain on disposal	25,700	
For settlement of consideration	344,500	

The subsidiaries did not have significant impacts on the Group's results and cash flows for the period from 1 April 2005 to the date of disposal.

(iii) Net cash inflow arising on disposal of subsidiaries:

	HK$'000
Cash consideration received	346,352
Cash and cash equivalents disposed of	(363)
	345,989

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

37. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENTS *(Continued)*

(d) Analysis of changes in financing during the year

	Share capital and premium *HK$'000*	**Bank loans** *HK$'000*	**Other loans** *HK$'000*	**Obligations under finance lease** *HK$'000*
At 1 April 2003	1,058,472	894,089	—	—
Net cash (outflow)/inflow from financing	—	(45,378)	20,018	(270)
Inception of finance lease	—	—	—	1,300
Issue of shares	60,000	—	—	—
Distribution in specie	(929,824)	(201,211)	—	—
At 31 March 2004	188,648	647,500	20,018	1,030
Net cash inflow/(outflow) from financing	—	242,500	(20,018)	(306)
At 31 March 2005	188,648	890,000	—	724
Acquisition of subsidiaries	—	1,560,970	—	—
Disposal of subsidiaries	—	(825,000)	(335,000)	—
Other payable re-financed as other loans	—	—	200,000	—
Net cash inflow/(outflow) from financing	—	348,753	160,619	(324)
Exchange adjustment	—	11,445	—	—
At 31 March 2006	188,648	1,986,168	25,619	400
Net cash (outflow)/inflow from financing	—	(16,833)	16,584	(168)
Exchange adjustment	—	28,694	—	—
At 30 September 2006	188,648	1,998,029	42,203	232

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

38. COMMITMENTS

(a) At the balance sheet date, the Group had the following capital commitments in respect of:

	As at 31 March			As at 30 September
	2004	**2005**	**2006**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Group				
Contracted but not provided for				
— Acquisition of hotel property, furniture, fixtures and equipment	381,956	—	—	—
— Investment property	—	—	5,000	—
— Investment in a subsidiary	—	1,788	—	—

(b) **Operating lease**

(i) At the balance sheet date, the Group had future aggregate minimum lease payments payable under non-cancellable operating leases in respect of land and buildings as follows:

	As at 31 March			As at 30 September
	2004	**2005**	**2006**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Group				
Not later than one year	4,037	1,920	2,460	3,420
Later than one year and not later than five years	3,727	960	1,000	4,090
	7,764	2,880	3,460	7,510

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

38. COMMITMENTS *(Continued)*

(b) Operating lease *(Continued)*

(ii) At the balance sheet date, the Group had future aggregate minimum lease receipts under non-cancellable operating leases in respect of land and buildings as follows:

		As at 31 March		**As at 30 September**
	2004	**2005**	**2006**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Group				
Not later than one year	61,759	72,547	135	—
Later than one year and not later than five years	83,626	92,668	—	—
	145,385	165,215	135	—

39. RELATED PARTY TRANSACTIONS

In opinion of the directors, the ultimate controlling party of the Group is Mexan Group Limited which is incorporated in the British Virgin Islands.

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

(a) Other than those disclosed elsewhere in the financial statements, during the Relevant Periods and in the ordinary course of business, the Group had the following material transactions with related parties which are not members of the Group:

		Year ended 31 March		**Six months ended 30 September**	
	2004	**2005**	**2006**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Rental expenses (i)	960	1,920	1,920	960	960
Purchase of motor vehicles	390	—	—	—	—
Management fee (ii)	—	—	4,030	—	6,073

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

39. RELATED PARTY TRANSACTIONS *(Continued)*

Notes:

(i) The Group rented office premises, certain furniture and fixtures and car parks for three years effective from 1 October 2003 at a HK$160,000 per month from Mexan International Limited ("MIL"). On 18 September 2006, the Group entered into a new tenancy agreement with MIL to extend the lease arrangement for a three-year period to 30 September 2009. MIL is beneficially owned as to approximately 95% by Mr Lau Kan Shan, an executive director, chairman and controlling shareholder of the Company.

(ii) Beilun Company, the Company's subsidiary, and Shanghai Mexan Enterprise Development (Group) Company Limited ("Shanghai Mexan") entered into a toll road management agreement and a supplemental agreement whereby Beilun Company contracted with Shanghai Mexan for the latter company to manage the operations of the Ningbo Beilun Port Expressway for a total sum of RMB300 million for a period of 24 years commencing 1 July 2004 with an annual management fee of RMB12,500,000. Beilun Company has a right to terminate the contract by giving a 6-month written notice to Shanghai Mexan.

Under the contract, Shanghai Mexan is obliged to manage the toll collection, request monthly statement from Zhejiang Expressway Clearance Centre, manage the daily maintenance of the toll road and communicate with the relevant government authorities on behalf of Beilun Company.

Shanghai Mexan is beneficially owned as to approximately 74.7% by Mr Lau Kan Shan, an executive director, chairman and controlling shareholder of the Company.

The related party transactions in respect of item (a)(i) and (ii) above also constitute continuing connected transactions as defined in Charter 14A of the Listing Rules.

(b) In connection with management contract as disclosed in note (a)(ii), Beilun Company has made prepayments of management fees to Shanghai Mexan which was secured by three properties in the PRC held by related parties. In case Beilun Company exercises its right to early terminate the management contracts, Shanghai Mexan will repay Beilun Company the remaining balance of the prepaid management fees.

(c) Amounts due from and to related companies are unsecured, interest free and repayable on demand.

(d) In December 2005, the Group acquired the remaining 55.1% equity interest in its jointly controlled entity, Beilun Company for a consideration of HK$530 million from Mexan Holdings Limited ("MHL") and China Huaxing Asset Management Limited ("CHAM"). The consideration was satisfied by cash of HK$185.5 million and the transfer of the entire interests (including the loans made by the Group) in three subsidiaries of the Group.

MHL is 99.99% beneficially owned by Mr Lau Kan Shan. CHAM is 66.67% beneficially owned by Shanghai Mexan. Details of the transactions are set out in the announcement of the Company dated 31 August 2005 and the circular of the Company dated 14 November 2005.

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

39. RELATED PARTY TRANSACTIONS *(Continued)*

(e) The remuneration of directors as disclosed in note 13 and other members of key management during the year was as follows:

	Year ended 31 March			Six months ended 30 September	
	2004	**2005**	**2006**	**2005**	**2006**
	HK$’000	*HK$’000*	*HK$’000*	*HK$’000* (Unaudited)	*HK$’000*
Salaries	13,891	12,991	10,694	5,515	4,916
Discretionary bonuses	—	—	11,500	—	—
MPF contributions	69	90	71	35	33
	13,960	13,081	22,265	5,550	4,949

40. CONTINGENT LIABILITY

At 30 September 2006, the Company had provided guarantees to banks and a third party in respect of loans granted to its subsidiary amounting to HK$397,417,000 and HK$42,203,000 respectively.

41. FINANCIAL RISK MANAGEMENT

The main risks arising from the Groups’ financial instruments in the normal course of the Group’s business are credit risk, liquidity risk, interest rate and currency risk. These risks are limited by the Group’s financial management policies and practices described below. Generally, the Group introduces conservative strategies on its risk management. The Group has not used any derivatives and other instruments for hedging purposes nor does it hold or issue derivative financial instruments for trading purposes.

(a) Credit risk

The Group’s principal financial assets are cash and bank balances, trade and other receivables.

The Group’s credit risk is primarily attributable to its receivables arising from the default of debtors. The amounts presented in the balance sheet are net of provisions for doubtful receivables. A provision for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

(b) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group aims to maintain flexibility in funding by keeping committed credit lines available.

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

41. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Fair value and cash flow interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's exposure to interest rate risks relates primarily to the Group's borrowings with a floating interest rate. The interest rates and terms of repayment of the Group's borrowings are disclosed in notes 33 and 34 to the financial statements. The Group's policy is to obtain the most favorable interest rates available for its borrowings.

(d) Foreign exchange risk

The Group's monetary assets and transactions are principally denominated in Hong Kong Dollars ("HKD") and Renminbi ("RMB"). The Group is exposed to foreign exchange risk arising from the exposure of HKD against RMB. The conversion of RMB into HKD is subject to the rules and regulations of foreign exchange control promulgated by the PRC government. Considering that there is insignificant fluctuation in the exchange rate between HKD and RMB, the Group believes its exposure to exchange rate risk is normal.

(e) Fair values estimation

All financial instruments are carried at amounts not materially different from their fair values as at 30 September 2006.

The fair value of interest-bearing loans and borrowings and finance lease liabilities is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

Fair value estimates are made at a specific point in time and based on relevant market information and information about the financial instruments. These estimates are subjective in nature, involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

42. SUBSEQUENT EVENTS

On 9 February 2007, the Group disposed of its investment property for a consideration of HK$16,500,000.

III. SUBSEQUENT ACCOUNTS

No audited accounts have been prepared by the Group in respect of any period subsequent to 30 September 2006 and no dividend or other distribution has been declared, made or paid by the Group.

Yours faithfully,
For and on behalf of
Horwath Hong Kong CPA Limited
Certified Public Accountants
Hong Kong

Chan Kam Wing, Clement
Director
Practising Certificate number P02038

MANAGEMENT DISCUSSION AND ANALYSIS

Set out below is the management discussion and analysis extracted from the Chairman's Statement in each of the relevant annual reports of the Company and the management discussion and analysis of the relevant interim report of the Company:

(i) For the financial year ended 31 March 2004

Results

The financial year ended 31 March 2004 featured significant changes in the financial position of the Group after the completion of the Group reorganisation dated 20 June 2003 (the "Reorganisation"). The Reorganisation included, amongst other things, the cancellation and distribution of the share premium and a portion of the retained profits of the Company amounting to approximately HK$1,187 million in specie in the form of shares of Besteam Limited (a then wholly owned subsidiary of the Company). As a result, Besteam Limited, its subsidiaries and its associated companies (collectively "Besteam Group") had been disposed of by the Company after the completion of the Reorganisation. Results of Besteam Group up to 20 June 2003 were included in the results of the Group and the shareholders' funds of Besteam Group were excluded from the Group's balance sheet as at 31 March 2004.

Loss attributable to shareholders of the Group for the year ended 31 March 2004 was approximately HK$12 million compared with a loss of approximately HK$129 million (as restated) last year. The results included the loss of approximately HK$8 million attributable to Besteam Group and the expenses of approximately HK$38 million incurring from the Reorganisation exercise. The reorganisation costs included the cancellation of share options of the Company amounted to approximately HK$33 million. Apart from this, during the year under review, recurring profits were still generated from the Group's normal operation.

As a consequence of the Reorganisation, turnover for the year amounted to approximately HK$91 million, representing a decrease of 62% compared with that of last year. Profit from operations for the year amounted to approximately HK$19 million, compared with a profit from operations of approximately HK$13 million last year. Profit from operations included the reorganisation costs of approximately HK$38 million as mentioned above and the operating profit of approximately HK$2 million generated from Besteam Group.

Pursuant to the management contract entered on 20 June 2003, the Group will receive a guaranteed annual net rental receipt in respect of the Elizabeth House Commercial Podium ("E-House") of HK$78 million for three years commencing from 26 June 2003. In this regards, during the year, guaranteed net rental receipt of approximately HK$17 million had been accounted for on time-apportionment basis. Gross rental income and its segment result (after inclusion of the guaranteed net rental receipt as mentioned) for the year amounted to approximately HK$74 million and a profit of HK$76 million respectively, representing a decrease of approximately 4% and an increase of approximately 10% respectively when compared with those of last year.

Contribution from property development was derived from Besteam Group. As a consequence of the Reorganisation, the turnover and the segment result (excluding the impairment loss occurred in last year) decreased by approximately 90% and 92% respectively. On the other hand, contribution from securities investment was insignificant to the Group for both years.

Liquidity And Financial Information

The Group's total borrowings as at 31 March 2004 amounted to approximately HK$828 million compared with approximately HK$894 million last year. Cash and bank balances, including the pledged deposits of approximately HK$280 million amounted to approximately HK$291 million as at 31 March 2004 compared with approximately HK$789 million last year. Net borrowings amounted to approximately HK$537 million as at 31 March 2004 compared with approximately HK$105 million last year.

Gearing ratio of the Group which is expressed as a percentage of total borrowings to shareholders' funds was approximately 48% as at 31 March 2004 compared with approximately 32% last year. Net gearing ratio of the Group which is expressed as a percentage of net borrowings to shareholders' funds was approximately 31% as at 31 March 2004 compared with approximately 4% last year.

Of the Group's total borrowings as at 31 March 2004, HK$111 million (13%) would be due within one year, HK$64 million (8%) would be due in more than one year but not exceeding two years, HK$409 million (49%) would be due in more than two years but not exceeding five years and the remaining balance of HK$244 million (30%) would be due in more than five years.

The above borrowings included the bank borrowings of approximately HK$612 million, which were secured by the first charges on the investment properties and other specified assets of the Group and corporate guarantees from the Company.

The Group has limited exposure to foreign exchange fluctuations as most of its transactions including the borrowings are mainly conducted in Hong Kong dollars.

Equity, Reserves And Net Asset Value

The annual revaluation of the Group's investment properties was carried out by DTZ Debenham Tie Leung Limited, an independent professional property valuer. The total value of the Group's investment properties as at 31 March 2004 amounted to HK$1,620 million compared to approximately HK$1,553 million last year.

Shareholders' funds of the Group as at 31 March 2004 was approximately HK$1,730 million compared with approximately HK$2,784 million last year. The reduction was mainly due to the Reorganisation.

Business Review and Outlook

During the year under review, as Hong Kong witnessed some solid economic recovery, the Company has also seen general pick up in business environment particularly in the retail sector. As a result, the Group has enjoyed some improvement in its rental income in the E-House and it looks like that the upward market trend will continue.

To further enhance the E-House rental income, the Group has worked together with the management company of E-House to renovate the 5th floor of the building completely to make it not only better looking but a more e-business focused theme floor. The Board is convinced that the Group will benefit tremendously as the renovated floor is better known to Hong Kong e-business retailer's market.

As detailed in the Company's announcement of 29 October 2004, the Group on 15 October 2004 entered into a conditional sale and purchase agreement ("S&P Agreement") with Kowloon Development Company Limited and its subsidiaries ("Kowloon Development Group") to dispose of the Group's entire interests in E-House for HK$1,342 million. However, as detailed in the Company's announcement of 15 December 2004, certain conditions of the S&P Agreement have not been fulfilled and in the opinion of the Group, the S&P Agreement is no longer in force. The Group was informed by the solicitors acting for the Kowloon Development Group that Kowloon Development Group does not agree that the S&P Agreement is no longer of any force and effect and has taken the position that the S&P Agreement remains valid and binding on the Group. The Group does not agree with the position of Kowloon Development Group. Kowloon Development Group has, through its solicitors, reserved all of its rights. The Group will continue to optimize the return from rental operation in E-House and to enhance the value of E-House property through continued marketing, improved operational efficiency and if necessary, further renovations and improvements. The Group is also open to future opportunities to realize the investment in E-House at good price.

The Governments of the Hong Kong SAR and the People's Republic of China ("PRC") entered into the Closer Economic Partnership Arrangement ("CEPA") in June 2003. Under the CEPA, Hong Kong professionals and business entities enjoy certain privileges to gain access to the PRC market and the same applies vice versa. The scope of individuals traveling scheme of PRC citizens, first implemented in 2003, continues to extend. The Hong Kong Disneyland is expected to open in second half of 2005. All of the foregoing factors contribute to growing numbers of visitors and tourists to Hong Kong and hence the demand on hotel rooms.

To capitalize such business opportunities, the Group in October 2003 agreed with Hutchison Whampoa Limited and its subsidiaries ("Hutchison Group") to acquire a 800-room three-star standard hotel for HK$660 million. The Group made full payment of the acquisition on 23 December 2004 and renamed the hotel as "Mexan Harbour Hotel" ("Mexan Harbour"). Mexan Harbour commenced soft opening forthwith. Mexan Harbour is designed for tourists particularly for theme park visitors and is located in Rambler Crest, Tsing Yi, a strategic location of close proximity to both the Hong Kong International Airport and Hong Kong Disneyland which is due to open in 2005. With the successful opening of the Mexan Harbour, a quality asset is added to the Group's investment portfolio and Hutchison Group is successfully brought in as one of the Group's strategic investors with a view of possible co-operation in future.

It is the Group's long-term development strategy to identify and evaluate viable business opportunities from time to time for diversification of its business activities, the ultimate aim of which is to enhance profitability of the Group and shareholders' value in the Company. In light of the PRC's rapid economic growth and its need for high-quality infrastructure band in line with the long-term development strategy mentioned above, the Company has identified the toll road sector in the PRC as a focus area for future development. On 1 June 2004, the Group announced the proposed acquisition of 44.9% equity interest in Ningbo Beilun Port Expressway Company Limited ("Beilun Acquisition"). The Beilun Acquisition was approved by the independent shareholders at a special general meeting of the Company on 23 November 2004. The Beilun Acquisition presents an opportunity for the Company to diversify further its business and strengthen the earnings base.

Looking forward, the Group will continue to develop in each of the core business sector namely property investment, hotel ownership and toll road ownership with a view to seeking further investments in synergetic or prospective business if there arises such opportunities, which the Board may think fit and are allowed under the relevant regulatory provisions.

Employee Information

As at 31 March 2004, the total number of employees of the Group was 25 (2003: 35). Remuneration packages are generally structured by reference to market terms and individual qualifications. The remuneration policies of the Group are normally reviewed on periodic basis. The Group participates in a mandatory provident fund scheme which covers all the eligible employees of the Group.

(ii) For the financial year ended 31 March 2005

Results

Profit attributable to shareholders of the Group for the year ended 31 March 2005 was approximately HK$0.8 million compared with a loss of approximately HK$12 million last year. The results last year included the loss of approximately HK$8 million attributable to a subgroup disposed of in last year and the expenses of approximately HK$38 million incurring from a corporate reorganisation exercise. The results in current year were affected by the increase in finance cost of approximately HK$10 million as a result of increased borrowings to finance the hotel operation and increase in interest rate and the loss of approximately HK$6 million attributable to a jointly controlled entity.

Pursuant to the management contract entered on 20 June 2003, the Group will receive a guaranteed annual net rental receipt in respect of the Elizabeth House Commercial Podium and carpark complex (the "E-House") of HK$78 million for three years commencing from 26 June 2003. In this regard, during the year, guaranteed net rental receipt of approximately HK$21 million (2004: approximately HK$17 million) had been accounted for on time-apportionment basis.

The Mexan Harbour Hotel in Tsing Yi commenced operation in late December 2004 and contributed approximately HK$19 million and HK$0.2 million to the turnover and profit of the Group respectively.

Liquidity and Financial Information

As at 31 March 2005, the Group's total borrowings amounted to approximately HK$1,371 million compared with approximately HK$828 million last year. Cash and bank balances, including the pledged deposits of approximately HK$48 million amounted to approximately HK$85 million as at 31 March 2005 compared with approximately HK$291 million last year. Net borrowings amounted to approximately HK$1,286 million as at 31 March 2005 compared with approximately HK$537 million last year.

Gearing ratio of the Group which is expressed as a percentage of total borrowings to shareholders' funds was approximately 84% as at 31 March 2005 compared with approximately 48% last year. Net gearing ratio of the Group which is expressed as a percentage of net borrowings to shareholders' funds was approximately 79% as at 31 March 2005 compared with approximately 31% last year.

Of the Group's total borrowings as at 31 March 2005, approximately HK$95 million (7%) would be due within one year; approximately HK$221 million (16%) would be due in more than one year but not exceeding two years; and approximately HK$1,055 million (77%) would be due in more than two years but not exceeding five years.

The above borrowings included the bank borrowings of approximately HK$890 million (2004: approximately HK$612 million), which were secured by the first charges on the investment properties and other specified assets of the Group and corporate guarantees from the Company.

The Group has limited exposure to foreign exchange fluctuations as most of its transactions including the borrowings are mainly conducted in Hong Kong dollars.

Equity, Reserves and Net Asset Value

Revaluations of the Group's investment properties in the People's Republic of China (the "PRC") at 31 March 2005 were carried out by an independent professional property valuer namely BMI Appraisals Limited. With reference to the provisional sale and purchase agreement signed on 30 June 2005 in respect of the subsequent disposal of the E-House, the investment property at the E-House of the Group in Hong Kong was stated at open market value at HK$1,480 million. The net adjustment on revaluation, after effect of the deferred taxation, was a decrease of approximately HK$112 million and was taken to the revaluation reserves.

Shareholders' funds of the Group as at 31 March 2005 was approximately HK$1,619 million compared with approximately HK$1,730 million last year. The reduction was mainly due to the net adjustment on revaluation of investment properties and hotel property of approximately HK$112 million as mentioned above.

Business Review

During the year under review, Hong Kong economy continued to rebound with strong momentum and the rental market of prime street shop and shopping centre continued to recover with higher average rents and higher occupancy rate. The annual gross rental income for the year ended 31 March 2005 increased to approximately HK$85 million, compared with approximately HK$74.5 million recorded for the year ended 31 March 2004.

Mexan Harbour Hotel, a 800-room three-star standard hotel, commenced business in December 2004. Mexan Harbour Hotel is designed for tourists particularly for theme park visitors and is located in Rambler Crest, Tsing Yi, a strategic location of close proximity to both the Hong Kong International Airport and Hong Kong Disneyland which is due to open in September 2005. Pursuant to the management contract with Harbour Plaza Hotel Management Limited ("Harbour Plaza"), Harbour Plaza guaranteed to the Group that the earnings before interest, tax, depreciation and amortisation (EBITDA) of the Mexan Harbour Hotel for each of the 3 years commencing from 23 December 2004, will not be less than HK$21 million. The commencement of its operation renders a new source of stable income for the Group.

Moreover, the Group acquired 44.9% equity interest in Ningbo Beilun Port Expressway Company Limited ("Ningbo Beilun"). The toll road owned and operated by Ningbo Beilun is an important route that connects Beilun Port (a major natural deep water port) to the prosperous regions in Zhejiang including Hangzhou, Wenzhou and Taizhou. It marked our first step of diversifying our business into the PRC toll road industry.

Employee Information

As at 31 March 2005, the total number of employees of the Group was 23 (2004: 25). Remuneration packages are generally structured by reference to market terms and individual qualifications. The remuneration policies of the Group are normally reviewed on periodic basis. The Group participates in a mandatory provident fund scheme which covers all the eligible employees of the Group.

Outlook

The Group has taken advantage of the favorable property market and entered into an agreement to realise the investment property at the E-House at a reasonable price by the end of June 2005. Upon future completion of the disposal of the E-House, the Group could utilise the proceeds from the sale of the E-House to reduce its borrowings and future interest expenses and improve its working capital condition. The gearing ratio will be reduced from 84% as at 31 March 2005 to 35% upon completion of the disposal of the E-House, assuming that the value of shareholders' funds upon completion of the disposal of the E-House to be the value as at 31 March 2005 less the interim dividend paid in May 2005.

Taking into the account of the future opening of new projects in Hong Kong (such as Hong Kong Disneyland, Tung Chung Cable Car and Hong Kong Wetland Park) and the fast growing number of PRC visitors attributed to the Individual Visit Scheme, the number of repeated and new visitors attracted to Hong Kong will continue to grow. The outlook for the tourist industry of Hong Kong appears optimistic in coming years and is expected to drive the growth of the Hong Kong hotel Industry. In such favorable circumstance, Mexan Harbour Hotel is well-positioned to gain benefits from the boost and generates higher revenue and net income to the Group. Furthermore, the strong growth in the tourist and hotel industry resulted from globalization of the world economy will enable the group to pursue and identify opportunities to acquire new hotels to strengthen this source of income.

We expect that the PRC economy will maintain an average growth rate of 7% per annum which undoubtedly leads to higher overall national traffic volume supported by more sophisticated high quality expressway network. In January 2005, the PRC's Ministry of Communication announced the new "National Expressway Network Plan" under which new expressway network of 85,000 kilometers will be completed in thirty years. This new plan consists of seven trunks linking with Beijing, nine trunks linking the north with the south of the PRC and eighteen trunks connecting the east and the west of the PRC.

The PRC toll road industry is expected to be a fast growing industry enjoying high growth rate of revenue in coming years. The Group has already taken steps to roll out its plan to develop its position to be a leading toll road operator in the PRC. We are confident that toll road operations in the PRC is one of our core businesses which will provide long term growing and stable income to the Group.

On 9 May 2005, the Group has entered into four legally binding Memoranda of Understanding (the "MOUs") with three different companies (the "Toll Road Companies") pursuant to the MOUs the Toll Road Companies agreed not to enter into negotiation or agreements with any third parties for the sale of their toll road interests without written consent from the Group within 18 months from 9 May 2005. These MOUs enable the Group to have more time to conduct necessary due diligence and valuation on the toll road interests involved and it is expected that the Group would enter into arm's length negotiation with the Toll Road Companies with a view to reaching agreements on the acquisitions of the toll roads interests. The Group is still in the process of conducting due diligence and preliminary discussion with the Toll Road Companies and no final agreement has yet been made. Other than making investment in acquiring equity interest in toll road, the Group is also planning to build up its own professional team to manage the operation of our own toll roads in future. It enables the Group to take a more active role which will enhance the income generated from the toll road business.

Looking forward, the Group will continue to develop each of the core business sectors with a view to seeking further investments in synergetic or prospective business, in which the Board may think fit and are allowed under the relevant regulatory provisions. The long term objective is to provide maximum economic benefits for the shareholders of the Company.

(iii) For the financial year ended 31 March 2006

Results

Turnover of MEXAN LIMITED (the "Company") together with its subsidiaries (the "Group") for the year amounted to approximately HK$171.5 million, representing an increase of 65% compared to last year. The increase in turnover was mainly generated from the operation of Mexan Harbour Hotel and Ningbo Beilun Port Expressway. Mexan Harbour Hotel commenced operation in late December 2004 and contributed approximately HK$75.7 million to turnover (2005: approximately HK$19.2 million). After the completion of the acquisition of the remaining 55.1% equity interest in Ningbo Beilun Port Expressway Company Limited ("Beilun Company") in December 2005, Beilun Company contributed approximately HK$41.5 million to turnover (2005: Nil). The Board appreciates that the growth in turnover of both Beilun Company and Mexan Harbour Hotel during the year is encouraging to the Group.

The Group recorded a loss of approximately HK$108.9 million for the year compared to a loss of approximately HK$132.6 million (restated) for last year. The results for current year were mainly affected by an increase in finance costs, as the interest rate for HKD denominated borrowings was increased when compared with last year and additional bank borrowings to finance the acquisition of Beilun Company was recognized by the Group. The interest expenses recorded in Beilun Company during the period from the date of acquisition by the Group to the current year end amounted to approximately HK$27.4 million, which is significant when compared to the total interest expenses for last year, which was amounted to approximately HK$29.6 million. In addition, since the Group has accomplished two very substantial projects including a very substantial acquisition for the acquisition of the remaining 55.1% equity interest in Beilun Company and a very substantial disposal for the disposal of the entire interest of Winsworld Properties Limited ("Winsworld"), the owner of an investment property in Elizabeth House, during the year, therefore, the professional fees for the current year were then increased accordingly. These professional fees were charged on non-recurring basis and will have no impact on the Group in the coming years. Moreover, the restated result for last year was mainly affected by the adoption of new and revised accounting policy (i.e. Hong Kong Financial Reporting Standards) in restatement of decrease in fair value of investment properties.

Business Review and Outlook

During the year under review, the Group acquired the remaining 55.1% equity interest in Beilun Company in December 2005. Accordingly, Beilun Company, the owner of the operating right of Ningbo Beilun Port Expressway, became a wholly-owned subsidiary of the Company in the PRC. The acquisition of the entire interest in Beilun Company marked a success of the Company in diversifying our business into the PRC toll road industry and was also a milestone of the Company's business development of toll road industry in the PRC. Ningbo Beilun Port Expressway is an important route that connects Beilun Port (a major natural deep water port) to the prosperous regions in Zhejiang including Hangzhou, Wenzhou and Taizhou. In view of the strong upward growth of economy in Zhejiang Province as well as the increasing throughputs in Beilun Port Cargo Terminal, it is anticipated that the traffic volume of Ningbo Beilun Port Expressway will grow as forecasted. Turnover recorded in Beilun Company for the year of 2005 has been increased by 16% from the year of 2004.

Mexan Harbour Hotel, a 800-room three-star standard hotel, is designed for tourists particularly for theme park visitors. According to the figure provided by Census and Statistics Department, the number of visitors' arrival to Hong Kong for the year 2005 has shown an increase of approximately 7.1%. Benefited from its strategic location of close proximity to both the Hong Kong International Airport and Hong Kong Disneyland and increasing number of visitors to Hong Kong created strong demands for hotel rooms, Mexan Harbour Hotel achieved a satisfactory result since its opening in late December 2004 with an average occupancy rate of approximately 88% throughout the year while the hotel accommodation industry in Hong Kong made an average occupancy rate of approximately 86% in the year 2005.

In November 2005, the Group has completed the disposal of Winsworld, which owns the investment property of Elizabeth House, at a consideration of HK$1,480 million. The disposal constituted a very substantial disposal under the Listing Rules. Details of the disposal were disclosed in the Company's announcements dated 15 July 2005, 27 October 2005 and 14 November 2005 and the Company's circular dated 15 August 2005. Upon completion of the disposal, the Group has utilized the proceeds from the disposal to reduce its borrowings.

Looking forward, the Group will further diversify its business from property investment into hotel operation and toll road operation.

Liquidity and Financial Information

During the year under review, the Group derived its funds mainly from cashflows generated from operations as well as financial resources from bank borrowings and other borrowings. As at 31 March 2006, the Group's total borrowings amounted to approximately HK$2,012 million compared with approximately HK$1,366 million (restated) last year. The increase of the Group's total borrowings was mainly due to the acquisition of Beilun Company, which had a project financing of approximately HK$1,560 million at the current year end. As at 31 March 2006, cash and bank balances amounted to approximately HK$20 million, together with cash deposited with a securities firm of approximately HK$82 million compared with cash and bank balances of approximately HK$85 million, and cash deposited with a securities firm of approximately HK$50 million last year. The Group's net assets as at 31 March 2006 amounted to approximately HK$1,260 million compared with approximately HK$1,610 million (restated) last year.

Gearing ratio of the Group which is expressed as a percentage of total borrowings to equity attributable to equity holders of the Company was approximately 160% as at 31 March 2006 compared to approximately 85% (restated) as at 31 March 2005. Net gearing ratio of the Group which is expressed as a percentage of net borrowings (total borrowings less cash and bank balance) to equity attributable to equity holders of the Company was approximately 158% compared with approximately 80% (restated) last year.

Of the Group's total borrowings as at 31 March 2006, approximately HK$36 million (1.8%) would be due within one year, approximately HK$54 million (2.7%) would be due in more than one year but not exceeding two years, approximately HK$458 million (22.7%) would be due in more than two years but not exceeding five years and the remaining balance of approximately HK$1,464 million (72.8%) would be due after five years.

The borrowings were denominated in Hong Kong dollars and Renminbi. Approximately HK$1,560 million (77.5%) was denominated in Renminbi and approximately HK$452 million (22.5%) was denominated in Hong Kong dollars. An amount of approximately HK$26 million out of the total borrowings of approximately HK$2,012 million bears a fixed interest rate.

The above borrowings of approximately HK$2,012 million, including bank borrowings and other borrowings, were secured by the hotel property, investment property, the operating right of Ningbo Beilun Port Expressway and corporate guarantees from the Group.

Treasury Policies

The Group generally financed its operations with internally generated resources and credit facilities. The bank deposits will be mainly in Hong Kong dollars and Renminbi.

Foreign Exchange Exposure

The Group has limited exposure to foreign exchange fluctuations as the Group's transactions including the borrowings are mainly conducted in the currency tied in with the Group's businesses in the countries of the currencies concerned and the borrowings were balanced by assets in the same currencies.

In addition, the Group had not implemented major hedging or other alternative measures during the year ended 31 March 2006 as the expected appreciation of Renminbi will benefit the Group as a whole and other foreign currency risk exposure was considered to be minimal. As at 31 March 2006, the Group had no significant exposure under foreign exchange contracts, interest or currency swaps or other financial derivative.

Equity

Total equity of the Group as at 31 March 2006 was approximately HK$1,260 million compared with approximately HK$1,610 million (restated) last year. The reduction was mainly due to the distribution of dividends to all shareholders of the Company amounted to approximately HK$249 million and the loss of approximately HK$109 million incurred during the year.

Employee Information

As at 31 March 2006, the total number of employees of the Group was 178 (2005: 152). Remuneration packages are generally structured by reference to market terms and individual qualifications. The remuneration policies of the Group are normally reviewed on periodic basis. The Group participates in pension schemes which cover all the eligible employees of the Group.

Contingent Liability

At 31 March 2006, the Company had provided guarantees to banks and a third party in respect of loans granted to its subsidiary amounting to approximately HK$414,001,000 and approximately HK$25,619,000 respectively.

(iv) For the six months ended 30 September 2006

Results

Turnover of the Group recorded for the six months ended 30 September 2006 amounted to approximately HK$120 million, representing a significant increase of 214% compared to the same period last year. The increase in turnover was mainly generated from the operation of Ningbo Beilun Port Expressway. Ningbo Beilun Port Expressway Company Limited ("Beilun Company") became a wholly-owned subsidiary of the Company since December 2005, and contributed approximately HK$79 million to turnover for the period under review (2005: Nil).

The Group recorded a loss of approximately HK$45 million for the six months ended 30 September 2006 compared to a loss of approximately HK$63 million in the corresponding period in 2005. The loss was decreased by approximately 29%. The results for the period under review were mainly affected by an increase in finance costs. The interest expenses recorded from Beilun Company for the six months ended 30 September 2006 amounted to approximately HK$46 million, and the interest rate for the Hong Kong dollars ("HKD") denominated borrowings was increased when compared with the same period last year.

Liquidity and Financial Information

As at 30 September 2006, the Group's total borrowings amounted to approximately HK$2,040 million (31 March 2006: approximately HK$2,012 million). The increase of the Group's total borrowings was mainly due to the appreciation of Renminbi ("RMB") denominated loan. As at 30 September 2006, cash and bank balances amounted to approximately HK$31 million (31 March 2006: approximately HK$20 million), and cash deposited with a securities firm of approximately HK$83 million (31 March 2006: approximately HK$82 million). The Group's net assets as at 30 September 2006 amounted to approximately HK$1,229 million (31 March 2006: approximately HK$1,260 million).

Gearing ratio of the Group which is expressed as a percentage of total borrowings to shareholders' funds was approximately 166% as at 30 September 2006 compared to approximately 160% as at 31 March 2006.

Of the Group's total borrowings as at 30 September 2006, approximately HK$39 million (2%) would be due within one year, approximately HK$82 million (4%) would be due in more than one year but not exceeding two years, approximately HK$534 million (26%) would be due in more than two years but not exceeding five years and the remaining balance of approximately HK$1,385 million (68%) would be due in more than five years.

The borrowings of the Company were only denominated in HKD and RMB. Approximately HK$1,589 million (78%) was denominated in RMB and approximately HK$451 million (22%) was denominated in HKD. An amount of approximately HK$42 million out of the total borrowings bears a fixed interest rate.

The above borrowings, including bank and other borrowings, were secured by the hotel property, investment property, the operating right of Ningbo Beilun Port Expressway and corporate guarantees from the Group and a related company.

The Group has limited exposure to foreign exchange fluctuations as the Group's transactions including the borrowings are mainly conducted in the currency tied in with the Group's businesses in the countries of the currencies concerned and the borrowings were balanced by assets in the same currencies. As at 30 September 2006, the Group had no significant exposure under foreign exchange contracts, interest or currency swaps or other financial derivative.

Business Review and Outlook

Since the acquisition of the remaining 55.1% equity interest in Beilun Company in December 2005, Beilun Company, the owner of the operating right of Ningbo Beilun Port Expressway, contributed significant amount of turnover for the six months ended 30 September 2006. Beilun Company generated profit before the deduction of interest expenses. However, Beilun Company is maintaining high level of debt and incurring substantial amount of interest expenses, which resulted in recording loss after interest expenses.

Mexan Harbour Hotel, a 800-room three-star standard hotel in Tsing Yi, maintained an average occupancy rate of approximately 86% for the period under review, and the turnover was increased by approximately 8% when compared with the same period for last year. In order to enhance the attractiveness of Hong Kong, many new tourist attractions will continue to be rolled out; such as the Ocean Park redevelopment project and the development of new cruise terminal facilities at the former Kai Tak runway. The opening of AsiaWorld-Expo in December 2005 attracts more international business visitors from conventions and exhibition market to Hong Kong. We anticipate that those new tourist attractions and international conventions and exhibitions would stimulate keen demands in hotel rooms. Benefited from its strategic location of high accessibility to the Hong Kong International Airport, AsiaWorld-Expo and Hong Kong Disneyland, Mexan Harbour Hotel is well-positioned to generate higher revenue to the Group in future.

Since Mexan Harbour Hotel has commenced its operation in December 2004, the Board anticipates that it may have to incur certain cash outlay next year for a thorough maintenance in order to maintain its competitive edge.

Looking forward, the Group will focus to generate growth in the existing businesses.

Employee Information

As at 30 September 2006, the total number of employees of the Group was approximately 287 (31 March 2006: 178). Remuneration packages are generally structured by reference to market terms and individual qualifications. The remuneration policies of the Group are normally reviewed on a periodic basis. The Group participates in a mandatory provident fund scheme which covers all the eligible employees of the Group.

FINANCIAL SUMMARY

Set out below is a financial summary of the Inventive Group extracted from the accountants' report thereon contained in this appendix:

	Year ended 31 March			Six months ended 30 September	
	2004	**2005**	**2006**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	*(audited)*	*(audited)*	*(unaudited)*	*(audited)*
Continuing operations					
Turnover	—	—	42,490	450	79,314
Profit/(loss) before taxation	(296)	(3,358)	363,534	(3,937)	(32,604)
Taxation (charge)/credit	(26)	(1,468)	1,156	1,161	5
Profit/(loss) from continuing operations	(322)	(4,826)	364,690	(2,776)	(32,599)
Discontinued operations					
Profit/(loss) from discontinued operations	120,886	(89,879)	(30,530)	(6,132)	—
Profit/(loss) attributable to equity holders of Inventive	120,564	(94,705)	334,160	(8,908)	(32,599)

	As at 31 March			As at 30 September
	2004	**2005**	**2006**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	*(audited)*	*(audited)*	*(audited)*
Total assets	2,180,126	2,191,360	2,447,364	2,544,119
Total liabilities	(2,463,484)	(2,569,423)	(2,480,593)	(2,595,778)
Total equity	(283,358)	(378,063)	(33,229)	(51,659)

ACCOUNTANTS' REPORT ON THE INVENTIVE GROUP

Set out below is the text of the accountants' report on the Inventive Group received from Horwath Hong Kong CPA Limited for incorporation in this circular:

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17 March 2007

The Directors
MEXAN LIMITED

Dear Sirs,

We set out below our report on the financial information relating to Inventive Limited ("Inventive") and its subsidiaries (hereinafter collectively referred to as the "Inventive Group") for each of the three years ended 31 March 2004, 2005 and 2006, and the six months ended 30 September 2006 (the "Relevant Periods") for inclusion in the circular of MEXAN LIMITED (the "Company") dated 17 March 2007 (the "Circular") in connection with the proposal in respect of the Group Reorganisation, the Special Cash Dividend, the Termination Deed and the Deed of Novation (as defined in the Circular).

Inventive was incorporated in Bermuda under the Companies Act 1981 of Bermuda as an exempted company with limited liability on 27 September 2006. Pursuant to a group reorganization as detailed in note 1 to the financial information, which became effective on 12 December 2006, Inventive became the holding company of the subsidiaries now comprising the Inventive Group (the "Reorganisation").

As at the date of this report, the particulars of Inventive's subsidiaries, all of which are companies with limited liability, are as follows:

Name of subsidiary	Place of incorporation/ establishment	Issued share capital	Proportion of nominal value of issued capital held by Inventive		Principal activity
			Directly	Indirectly	
Mexan Project Development Limited [2]	British Virgin Islands	10 shares of US$1 each	100%	—	Investment holding
Regal Gate Holdings Limited [2]	British Virgin Islands	10 shares of US$1 each	100%	—	Investment holding
Inventive Limited [2]	British Virgin Islands	1 share of US$1 each	—	100%	Inactive
Mexan Resources Limited [1]	Hong Kong	2 shares of HK$1 each	—	100%	Provision of management services
Mexan Profits Limited [1]	Hong Kong	2 shares of HK$1 each	—	100%	Inactive
Mexan Development Limited [1]	Hong Kong	2 shares of HK$1 each	—	100%	Inactive
Mexan Properties Limited [2]	British Virgin Islands	10 shares of US$1 each	—	100%	Investment holding

Name of subsidiary	Place of incorporation/ establishment	Issued share capital	Proportion of nominal value of issued capital held by Inventive		Principal activity
			Directly	Indirectly	
Niceview Limited [1]	Hong Kong	10 shares of HK$1 each	—	100%	Inactive
Portfield Limited [1]	Hong Kong	10 shares of HK$1 each	—	100%	Investment holding
Cityguard Limited [2]	British Virgin Islands	10 shares of US$1 each	—	100%	Investment holding
All Victory Holdings Limited [2]	British Virgin Islands	1 share of US$1 each	—	100%	Inactive
Excel Nominees Limited [1]	Hong Kong	2 shares of HK$1 each	—	100%	Provision of nominees services
Winwealth Global Limited [2]	British Virgin Islands	1 share of US$1 each	—	100%	Inactive
Giantchain Limited [2]	British Virgin Islands	10 shares of US$1 each	—	100%	Investment holding
Gain Ascent (China) Limited [2]	British Virgin Islands	10 shares of US$1 each	—	100%	Inactive
Dealrich Limited [1]	Hong Kong	10 shares of HK$1 each	—	100%	Inactive
Main Lead Investment Limited [2]	British Virgin Islands	10 shares of US$1 each	—	100%	Inactive
YJ Expressway Limited [2]	British Virgin Islands	10 shares of US$1 each	—	100%	Inactive
Regal Gate Investment Limited [2]	British Virgin Islands	10 shares of US$1 each	—	100%	Investment holding
Gold Canton Investment Limited [1]	Hong Kong	3 shares of HK$1 each	—	100%	Property investment
Ningbo Beilun Port Expressway Company Limited [3]	The People's Republic of China ("PRC")	Registered capital of US$77,800,000	—	100%	Toll road operation and management

Notes:

1. We have audited the statutory financial statements of these companies for the year ended 31 March 2004, 2005, and 2006, where applicable.

2. No audited financial statements of these companies have been prepared as there is no requirement to prepare audited financial statements under the regulation of their respective jurisdiction of incorporation.

3. The statutory financial statements of the company for the year ended 31 December 2005 were prepared in accordance with the relevant accounting principles and financial regulations applicable in the PRC and were audited by the PRC auditors, Ningbo Pan-China Yongde United Certified Public Accountants.

No audited financial statements have been prepared for Inventive since its date of incorporation as it was newly incorporated and has not been involved in any significant business transactions since incorporation other than the Group Reorganisation and acquisition.

For the purpose of this report, we have audited in accordance with Hong Kong Standards on Auditing issued by The Hong Kong Institute of Certified Public Accountants ("HKICPA"), of the combined financial statements (the "Underlying Financial Statements") of Inventive Group for each of the Relevant Periods which have been prepared by the directors in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

We have examined the audited financial statements or, where appropriate, management financial statements of the companies comprising the Inventive Group for the Relevant Periods or since their respective dates of incorporation to 30 September 2006, where this is a shorter period, and have carried out such additional procedures as are necessary in accordance with the Auditing Guideline "Prospectuses and the Reporting Accountant" issued by the HKICPA.

The Financial Information of Inventive Group for the Relevant Periods set out in this report has been prepared in accordance with HKFRSs based on the Underlying Financial Statements.

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

In our opinion, on the basis of presentation set out in note 1 below, the Financial Information together with the notes thereon give, for the purpose of this report, a true and fair view of the state of affairs of Inventive Group as at 31 March 2004, 2005 and 2006 and 30 September 2006 and of the results and cash flows of the Inventive Group for each of the three years ended 31 March 2006 and the six months ended 30 September 2006.

The comparative combined income statement and combined cash flow statement of the Inventive Group for the six months ended 30 September 2005 together with the notes thereon have been extracted from the Inventive Group's financial information for the same period which was prepared by the directors of the Company solely for the purpose of this report. We have reviewed the financial information for the six months ended 30 September 2005 in accordance with Statement of Auditing Standard 700 "Engagements to Review Interim Financial Reports" issued by the HKICPA. A review consists principally of making enquiries of the Inventive Group management and applying analytical procedures to the financial information and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information for the six months ended 30 September 2005.

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the financial information for the six months ended 30 September 2005.

I. FINANCIAL INFORMATION

(a) COMBINED INCOME STATEMENTS

		Year ended 31 March			Six months ended 30 September	
		2004	**2005**	**2006**	**2005**	**2006**
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
CONTINUING OPERATIONS						
Turnover	*6*	—	—	42,490	450	79,314
Direct costs		—	—	(19,041)	—	(44,359)
Gross profit		—	—	23,449	450	34,955
Other revenues	*6*	2,698	23,367	16,666	9,389	8,422
Administrative expenses		(1,510)	(18,421)	(40,974)	(10,473)	(25,742)
Profit/(loss) from operations	*7*	1,188	4,946	(859)	(634)	17,635
Finance costs	*9*	(1,484)	(2,177)	(30,600)	(2,250)	(46,739)
Share of results of a jointly controlled entities		—	(6,127)	(5,226)	(1,053)	—
Decrease in fair value of investment property		—	—	—	—	(3,500)
Waiver of amount due to holding company		—	—	400,219	—	—
(Loss)/profit before taxation		(296)	(3,358)	363,534	(3,937)	(32,604)
Taxation (charge)/ credit	*10*	(26)	(1,468)	1,156	1,161	5
(Loss)/profit for the year/ period from continuing operations		(322)	(4,826)	364,690	(2,776)	(32,599)

I. FINANCIAL INFORMATION *(Continued)*

(a) COMBINED INCOME STATEMENTS *(Continued)*

		Year ended 31 March			Six months ended 30 September	
		2004	**2005**	**2006**	**2005**	**2006**
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
DISCONTINUED OPERATIONS						
Profit/(loss) for the year/period from discontinued operations	*12*	120,886	(89,879)	(30,530)	(6,132)	—
Net profit/(loss) for the year/period attributable to equity holders of Inventive		120,564	(94,705)	334,160	(8,908)	(32,599)
Dividends	*13*	—	—	—	—	—

I. FINANCIAL INFORMATION *(Continued)*

(b) COMBINED BALANCE SHEETS

		As at 31 March			As at 30 September
		2004	**2005**	**2006**	**2006**
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets					
Property, plant and equipment	*16*	2,435	5,009	42,157	41,561
Investment property	17	1,620,000	1,692,736	20,000	16,500
Intangible assets	*18*	—	—	1,774,733	1,781,694
Goodwill	*19*	—	—	264,430	269,293
Investment in a jointly controlled entity	*20*	—	263,873	—	—
Amount due from a related company	*32(b)*	—	—	257,103	255,681
Deposit for acquisition of a subsidiary	*21*	—	6,000	—	—
Deposit for acquisition of investment properties	*22*	—	104,589	4,000	—
		1,622,435	**2,072,207**	**2,362,423**	**2,364,729**
Current assets					
Trade and other receivables, deposits and prepayments	*23*	271,913	56,420	69,258	152,661
Amount due from a related company	*32(c)*	—	—	14,131	12,321
Pledged deposits	*24*	280,379	48,400	—	—
Cash and bank balances		5,399	14,333	1,552	14,408
		557,691	**119,153**	**84,941**	**179,390**
Current liabilities					
Other payables, deposits received and accrued charges	*25*	20,860	221,908	18,343	26,408
Amount due to related companies	*32(c)*	—	—	10,208	24,887
Taxation		3,858	2,882	—	—
Current portion of obligations under finance leases	*27*	306	324	342	232
Current portion of bank loans	*28*	91,000	95,000	1,686	4,078
		116,024	**320,114**	**30,579**	**55,605**
Net current assets/(liabilities)		**441,667**	**(200,961)**	**54,362**	**123,785**
Total assets less current liabilities		**2,064,102**	**1,871,246**	**2,416,785**	**2,488,514**

I. FINANCIAL INFORMATION *(Continued)*

(b) COMBINED BALANCE SHEETS *(Continued)*

		As at 31 March			As at 30 September
		2004	**2005**	**2006**	**2006**
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Equity					
Share capital	*26*	—	—	—	—
Reserves		(283,358)	(378,063)	(33,229)	(51,659)
Total equity		**(283,358)**	**(378,063)**	**(33,229)**	**(51,659)**
Non-current liabilities					
Obligations under finance lease	*27*	724	400	58	—
Bank loans	*28*	556,500	795,000	1,570,481	1,596,534
Amount due to holding company	*32(e)*	1,786,575	1,450,872	879,470	943,639
Deferred taxation	*29*	3,661	3,037	5	—
		2,347,460	**2,249,309**	**2,450,014**	**2,540,173**
		2,064,102	**1,871,246**	**2,416,785**	**2,488,514**

I. FINANCIAL INFORMATION *(Continued)*

(c) COMBINED STATEMENTS OF CHANGES IN EQUITY

	Share capital *HK$'000*	Exchange reserve *HK$'000*	Accumulated losses *HK$'000*	Total equity *HK$'000*
At 1 April 2003	—	—	(403,922)	(403,922)
Net profit for the year	—	—	120,564	120,564
At 31 March 2004	—	—	(283,358)	(283,358)
Net loss for the year	—	—	(94,705)	(94,705)
At 31 March 2005	—	—	(378,063)	(378,063)
Exchange differences arising on translation of foreign operations recognised directly in equity	—	10,674	—	10,674
Net profit for the year	—	—	334,160	334,160
Total recognised income and expense for the year	—	10,674	334,160	344,834
At 31 March 2006	—	10,674	(43,903)	(33,229)
Exchange differences arising on translation of foreign operations recognised directly in equity	—	14,169	—	14,169
Net profit for the period	—	—	(32,599)	(32,599)
Total recognised income and expense for the period	—	14,169	(32,599)	(18,430)
At 30 September 2006	—	24,843	(76,502)	(51,659)

I. FINANCIAL INFORMATION *(Continued)*

(d) COMBINED CASH FLOW STATEMENTS

	Year ended 31 March			Six months ended 30 September	
	2004	**2005**	**2006**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Operating activities					
Profit/(loss) for the year/period	120,564	(94,705)	334,160	(8,908)	(32,599)
Income tax charge/(credit)	8,251	6,360	(3,246)	(3,340)	(5)
Share of results of a jointly controlled entity	—	6,127	5,226	1,053	—
(Increase)/decrease in fair value of investment properties	(88,565)	127,385	(1,475)	(1,475)	3,500
Interest income	(2,322)	(7,562)	(1,010)	(626)	(43)
Interest expenses	34,158	35,333	75,413	37,880	46,724
Interest on finance lease obligation	25	48	30	17	9
Depreciation of property, plant and equipment	349	1,096	2,024	688	1,865
Amortisation of intangible asset	—	—	13,283	—	25,354
Loss on disposal of property, plant and equipment	—	—	—	—	4
Waiver of amount due to holding company	—	—	(400,219)	—	—
Gain on disposal of subsidiaries	—	—	(25,700)	—	—
Operating cash flows before working capital changes	72,460	74,082	(1,514)	25,289	44,809
Decrease in amount due from a related company	—	—	2,027	—	3,232
(Increase)/decrease in trade and other receivables, deposits and prepayments	(16,564)	4,131	30,063	(40,621)	(83,403)
Increase in amounts due to related companies	—	—	6,346	—	14,679
Increase/(decrease) in other payables, deposits received and accrued charges	1,850	201,278	(38,574)	3,028	8,302
Effect of foreign exchange rate changes	—	—	1,943	—	4,852
Net cash generated from/(used in) operations	57,746	279,491	291	(12,304)	(7,529)
Hong Kong profits tax paid	(2,329)	(7,960)	(1,732)	(1,398)	—
Interest received on bank balances	603	155	471	238	43
Net cash generated from/(used in) operating activities	56,020	271,686	(970)	(13,464)	(7,486)

I. FINANCIAL INFORMATION *(Continued)*

(d) COMBINED CASH FLOW STATEMENTS *(Continued)*

		Year ended 31 March			Six months ended 30 September	
		2004	**2005**	**2006**	**2005**	**2006**
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Investing activities						
Acquisition of subsidiaries	*30(a)*	—	—	(178,331)	(1,788)	—
Disposal of subsidiaries	*30(b)*	—	—	345,989	—	—
Deposit paid for acquisition of subsidiaries		—	(6,000)	—	(185,500)	—
Deposit received for disposal of subsidiaries		—	—	—	148,000	—
Interest received on loan receivables		1,439	9,031	—	—	—
Purchase of property, plant and equipment		(3,039)	(2,115)	(93)	—	(573)
Loan granted		(240,222)	(35,000)	—	—	—
Repayment of loan receivable		—	275,222	2,000	—	—
Purchase of investment properties		(5,396)	(300,749)	—	—	—
Payments of put and call option premium		—	(275,000)	—	—	—
Refund of option premium on cancellation		—	239,000	—	—	—
Investment in a jointly controlled entity		—	(270,000)	—	—	—
Deposit paid for acquisition of investment properties		—	—	(4,000)	—	4,000
Net cash (used in)/generated from investing activities		**(247,218)**	**(365,611)**	**165,565**	**(39,288)**	**3,427**

I. FINANCIAL INFORMATION *(Continued)*

(d) COMBINED CASH FLOW STATEMENTS *(Continued)*

	Year ended 31 March			Six months ended 30 September	
	2004	**2005**	**2006**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Financing activities					
(Increase)/decrease in pledged deposits	(280,379)	231,979	—	—	—
Interest element of finance lease payments	(25)	(48)	(30)	(17)	(9)
New bank loans	35,000	300,500	—	—	—
New other loans	—	—	135,000	130,000	—
Repayment of bank loans	(72,500)	(58,000)	(65,248)	(53,540)	(248)
Interest paid on borrowings	(12,444)	(15,658)	(66,407)	(30,412)	(47,012)
Capital element of finance lease payments	(270)	(306)	(324)	(159)	(168)
Increase/(decrease) in amount due to holding company	494,035	(355,608)	(180,402)	(5,249)	64,169
Net cash generated from/(used in) financing activities	**163,417**	**102,859**	**(177,411)**	**40,623**	**16,732**
(Decrease)/increase in cash and cash equivalents	(27,781)	8,934	(12,816)	(12,129)	12,673
Effect of change in foreign exchange rate	—	—	35	—	183
Cash and cash equivalents at beginning of year/period	33,180	5,399	14,333	14,333	1,552
Cash and cash equivalents at end of year/period	5,399	14,333	1,552	2,204	14,408
Analysis of the balances of cash and cash equivalents					
Cash and bank balances	5,399	14,333	1,552	2,204	14,408

II. NOTES TO THE FINANCIAL INFORMATION

1. General information

Inventive is a limited company incorporated in Bermuda and has its registered office at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. For the period from 5 October 2006 to 12 December 2006, the Company transferred all equity interests of its subsidiaries excluding those carrying on the hotel investment and operation business to Inventive which then became the holding company of the Inventive Group (the "Reorganisation"). The principal activity of Inventive is investment holding.

The Financial Information are presented in Hong Kong dollars, which is the same as the functional currency of Inventive.

2. Basis of presentation of financial information

The combined income statements and combined cash flow statements include the results and cash flows of the companies comprising the Inventive Group as if the current group structure had been in existence throughout the Relevant Periods, or since their respective dates of incorporation/establishment or acquisition, where this is a shorter period, or up to the date of disposal. The combined balance sheets of the Inventive Group as at 31 March 2004, 2005, and 2006 and 30 September 2006 have been prepared to present the assets and liabilities of the companies now comprising the Inventive Group as if the current group structure had been in existence at those dates.

All significant intra-group transactions, cash flows and balances have been eliminated on acquisition.

3. Adoption of new and revised Hong Kong Financial Reporting Standards

For the purpose of preparing and presenting the Financial Information of the Relevant Periods, Inventive Group has early adopted all of the new and revised Hong Kong Accounting Standards ("HKASs"), Hong Kong Financial Reporting Standards ("HKFRSs") and Interpretations ("INTs") (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA, at the beginning of the Relevant Periods.

The Inventive Group has not early applied the following new standards and interpretations that have been issued but are not yet effective. The directors of Inventive anticipate that the application of these Standards or Interpretations will have no material impact on the Financial Information of the Inventive Group.

		Effective for accounting periods beginning on or after
HKAS 1 (Amendment)	Capital Disclosures	1 January 2007
HKFRS 7	Financial Instruments: Disclosures	1 January 2007

4. Principal accounting policies

The Financial Information has been prepared in accordance with HKFRSs under the historical cost convention, except for investment properties which are measured at fair value as appropriate. The Financial Information also complies with the disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange.

The principal accounting policies which have been adopted in preparing the Financial Information set out in this report are as follows:

II. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

4. Principal accounting policies *(Continued)*

(a) Group accounting

(i) Consolidation

The Financial Information incorporates the financial statements of Inventive and entities controlled by Inventive (its subsidiaries).

The results of subsidiaries acquired and disposed of during the year/period, other than those of the Group Reorganisation, are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intra-group transactions, balances, income, expenses and unrealised gains on transactions between group enterprises are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment on the asset transferred.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of Inventive Group.

Minority interests in the net assets of consolidated subsidiaries are identified separately from Inventive Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of Inventive Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

(ii) Business combinations

The acquisition of subsidiaries, other than those of the Group Reorganisation, 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 Inventive 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 assumed in a business combination are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the acquisition over Inventive Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, Inventive 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 income statement.

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.

II. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

4. Principal accounting policies *(Continued)*

(a) Group accounting *(Continued)*

(iii) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of Inventive Group's share of the net assets of the acquired company at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill on acquisitions of subsidiaries is presented separately. Goodwill on acquisitions of jointly controlled entity is included in investment in a jointly controlled entity.

For the purpose of impairment testing, goodwill is allocated to each of Inventive Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Gain or loss on the disposal of a subsidiary or jointly controlled entity include the carrying amount of goodwill relating to the subsidiary, associate or jointly controlled entity sold.

(iv) Subsidiary

A subsidiary is an enterprise in which Inventive Group has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities; to appoint or remove the majority of the members of the board of directors; or to cast majority of votes at the meetings of the board of directors.

Investments in subsidiaries are included in Inventive's balance sheet at cost less any impairment loss. The results of subsidiaries are accounted for by Inventive on the basis of dividends received and receivable.

(v) Jointly controlled entity

A jointly controlled entity is an entity which operates under a contractual arrangement between Inventive Group or Inventive and other parties, where the contractual arrangement establishes that Inventive Group or Inventive and one or more of the other parties share joint control over the economic activity of the entity.

Investments in jointly controlled entities are accounted for in the consolidated financial statements under the equity method. The consolidated financial statement includes Inventive Group's share of the post-acquisition results of jointly controlled entities for the year, and the consolidated balance sheet includes Inventive Group's share of the net assets of the jointly controlled entities and goodwill (net of accumulated impairment loss) on acquisition.

Equity accounting is discontinued when the carrying amount of the investment in a jointly controlled entity reaches zero, unless Inventive Group has incurred obligations or guaranteed obligations in respect of the jointly controlled entity.

The jointly controlled entity has financial year, which are not co-terminus with that of Inventive. Accordingly, this company has been equity accounted for based on the latest audited results and the management accounts for the remaining period.

II. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

4. Principal accounting policies *(Continued)*

(b) Property, plant and equipment

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

Depreciation of property, plant and equipment is calculated to write off their costs less accumulated impairment losses to their residual values on a straight line basis over their estimated useful lives. The principal annual rates of depreciation are as follows:

Leasehold improvements	20% or over the remaining lease term
Toll collection equipment	20%
Furniture, fixtures and equipment	10% - 20%
Motor vehicles and others	10% - 25%

Major costs incurred in restoring property, plant and equipment to their normal working condition are charged to the income statement.

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

(c) Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held to earn rentals and/or for capital appreciation.

Investment properties are valued annually by independent professional valuers. The valuations are on an open market value basis related to individual properties and separate values are not attributed to land and buildings. The valuations are incorporated in the annual accounts. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

(d) Intangible asset

Intangible asset represents operating right of Ningbo Beilun Port Expressway. Expenditure on acquiring the operating right of Ningbo Beilun Port Expressway is capitalised as intangible assets. Amortisation of operating rights is provided to write off their cost on a units-of-usage basis whereby amortisation is provided based on the ratio of traffic volume for a particular period over the projected total traffic volume throughout the operating period of the respective toll roads. Inventive Group reviews regularly the projected total traffic volume throughout the operating period of the respective toll road and if considered appropriate, independent professional traffic studies will be obtained. Appropriate adjustments will be made should there be a material change in the projected total traffic volume.

II. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

4. Principal accounting policies *(Continued)*

(e) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the profit or loss account, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(f) Financial instruments

Financial assets and financial liabilities are recognised on Inventive Group's balance sheet when Inventive Group becomes a party to the contractual provisions of the instrument.

(i) Receivables

Receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate provision for estimated irrecoverable amounts are recognised in income statement when there is objective evidence that the asset is impaired. The provision recognised 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 at initial recognition.

(ii) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

II. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

4. Principal accounting policies *(Continued)*

(f) Financial instruments (Continued)

(iii) Financial liabilities and equity

Financial liabilities and equity instruments issued by Inventive Group 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 Inventive Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(iv) Borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with Inventive Group's accounting policy for borrowing costs.

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

(v) Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

(vi) Equity instruments

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

(g) Provisions

Provisions are recognised when Inventive Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where Inventive Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

II. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

4. Principal accounting policies *(Continued)*

(h) Contingent liabilities

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 Inventive 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.

(i) 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 profit as reported in the income statement because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Inventive Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax liabilities is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. However, such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) or other asset and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

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 liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associated companies and joint ventures, except where Inventive 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.

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

(j) Revenue recognition

Toll income is recognized when vehicles pass the toll road and the right of collection of toll is established. Toll income measurement and collection functions are managed by Zhejiang Expressway Clearance Centre, a provincial department, using its operating systems under a management agreement between Inventive Group and a subdivision of Zhejiang Expressway Clearance Centre. Inventive Group measures the toll income based on monthly statements received from Zhejiang Expressway Clearance Centre.

Operating lease rental income is recognised on a straight line basis over the lease periods.

II. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

4. Principal accounting policies *(Continued)*

(j) Revenue recognition *(Continued)*

Revenue from sale of services is recongnised when services are rendered.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

Licence fees and rental income are recongised on an accrual basis and in accordance with the agreed terms.

(k) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Retirement scheme obligations

For employees in Hong Kong the Inventive Group participates in a master trust scheme provided by an independent Mandatory Provident Fund ("MPF") service provider to comply with the requirements under the MPF Schemes Ordinance. Contributions paid and payable by Inventive Group to the scheme are charged to the profit and loss account as incurred.

For employees in the People's Republic of China (the "PRC"), the Inventive Group contributes to a state-sponsored retirement plans. Inventive Group's contributions to the defined contribution retirement scheme are expensed as incurred.

(l) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of 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 and loss in the period in which they are incurred.

(m) Segment reporting

Inventive Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

Unallocated costs represent corporate expenses. Segment assets comprise properties, deposits for properties and investments, operating assets and bank balances. Segment liabilities comprise operating liabilities, taxation, bank borrowings and certain corporate borrowings. Capital expenditure comprises additions to property, plant and equipment. In respect of geographical segment reporting, total assets and capital expenditure are based on where the assets are located.

II. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

4. Principal accounting policies *(Continued)*

(n) Translation of foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are expressed in Hong Kong Dollars which is the functional currency of Inventive, and the presentation currency for the consolidated statements.

In preparing the financial statements of the individual entities, foreign currency transactions are translated into Hong Kong Dollars, being the functional currency at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the group's foreign operation (including comparatives) are expressed in Hong Kong Dollars using exchange rates prevailing on the balance sheet date. Income and expenses items (including comparatives) are translated at the average exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to Inventive Group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(o) Leases

(i) Finance leases

Leases where substantially all the risks and rewards of ownership of assets are transferred to the lessees are accounted for as finance leases. The amount capitalised as an asset at the inception is the present value of minimum lease payments payable during the term of the lease. The corresponding leasing commitments less the interest element are recorded as obligations under finance leases. Rentals payable in respect of finance leases are apportioned between finance charges and reduction of outstanding lease obligations based upon the interest rates implicit in the relevant leases.

(ii) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the income statement on a straight-line basis over the lease periods.

II. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

4. Principal accounting policies *(Continued)*

(p) Related parties

Two 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 members 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 Inventive Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of Inventive Group or of any entity that is a related party of Inventive Group.

5. Significant accounting judgements and estimates

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.

Inventive 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:

Estimation of useful lives and residual value of property, plant and equipment

Inventive Group's management determines the estimated useful lives and residual value of its property, plant and equipment. For property, plant and equipment, the estimate is based on the historical experience of the actual useful lives and residual value of these property, plant and equipment of similar nature and functions.

Management will revise the depreciation charge where useful lives and residual values are different to previously estimated, or it will write off or write down technically obsolete or non-strategy assets that have been abandoned or sold.

Estimation of traffic volume during the operating period of operating right of expressway

For operating right of expressway, amortisation is provided based on the share of traffic volume for a particular period over the projected total traffic volume throughout the periods for which Inventive Group is granted the right to operate.

It is Inventive Group's policy to review regularly the projected total traffic volume throughout the operating periods of the respective toll roads. If it is considered appropriate, independent professional traffic studies will be obtained. Appropriate adjustment will be made should there be a material change.

Assessment of impairment of assets

Management periodically reviews each asset for possible impairment or reversal of previously recognized impairment. Recoverability of assets is measured by a comparison of the carrying amount of an asset to its fair value less costs to sell. If such assets are considered by management to be impaired or no longer be impaired, the impairment or reversal of impairment previously recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets less costs to sell. In the analysis of fair value, Inventive Group uses independent valuations which are based on various assumptions and estimates.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Changing the assumptions selected by management to determine the level, if any, of impairment, including the discount rates or the growth rate assumptions in the cash flows projections, could significantly affect the Group's reported financial condition and results of operation.

II. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

6. Revenues and turnover

The Inventive Group is principally engaged in property investment, investment holding and toll road operation. Revenues recognised during the Relevant Periods are as follows:

	Year ended 31 March			Six months ended 30 September	
	2004	**2005**	**2006**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
From continuing operations					
Turnover					
Toll road income	—	—	41,545	—	79,179
Rental income	—	—	945	450	135
	—	—	42,490	450	79,314
Other revenues					
Management fee and other income					
— from immediate holding company	486	8,621	11,596	5,112	5,021
— from discontinued operation	288	6,468	4,917	4,277	—
Interest income	1,924	7,078	153	—	43
Subsidy income	—	—	—	—	2,168
Other income	—	1,200	—	—	1,190
	2,698	23,367	16,666	9,389	8,422
Total revenues	2,698	23,367	59,156	9,839	87,736
From discontinued operations					
Turnover					
Rental income	73,655	84,964	53,313	43,462	—
Other revenues					
Interest income	399	484	857	626	—
Guaranteed net rental receipts	16,721	20,759	2,056	—	—
Other income	—	25	—	—	—
	17,120	21,268	2,913	626	—
Total revenues	90,775	106,232	56,226	44,088	—

II. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

6. Revenues and turnover *(Continued)*

(a) Primary reporting format — business segments

The Inventive Group is organised into two main business segments:

- Toll road operation
- Property rental

There are no sales or other transactions between the business segments.

No business analysis is provided for the years ended 31 March 2004 and 2005 and the six months ended 30 September 2005 as the Inventive Group engaged in one segment only — property rental.

For the year ended 31 March 2006

	Continuing operations		Discontinued operation		
	Toll road operation	Property rental	Property rental	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	41,545	945	53,313		95,803
Segment results	16,633	785	34,766		52,184
Unallocated corporate expenses (net)					(62,044)
					(9,860)
Interest income					1,010
Finance costs					(80,929)
Share of results of a jointly controlled entity	(5,226)	—	—		(5,226)
Waiver of amount due to holding company					400,219
Gain on disposal of subsidiaries					25,700
Profit before taxation					330,914
Taxation credit					3,246
Profit for the year attributable to equity holders of Inventive					334,160
Segment assets	2,376,558	20,453	—		2,397,011
Unallocated corporate assets					50,353
Consolidated total assets					2,447,364
Segment liabilities	1,588,021	12,117	—		1,600,138
Deferred tax liabilities					5
Unallocated corporate liabilities					880,450
Consolidated total liabilities					2,480,593

II. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

6. Revenues and turnover *(Continued)*

(a) Primary reporting format — business segments *(Continued)*

	Continuing operations		Discontinued operations		
	Toll road operation	**Property rental**	**Property rental**	**Unallocated**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Capital expenditures	—	—	—	93	93
Depreciation	618	—	—	1,406	2,024
Amortisation	13,283	—	—	—	13,283

For the year ended 30 September 2006

	Toll road operation	Property rental	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	79,179	135		79,314
Segment results	20,221	(3,692)		16,529
Unallocated corporate expenses (net)				(2,437)
				14,092
Interest income				43
Interest expenses				(46,739)
Profit before taxation				(32,604)
Taxation credit				5
Profit for the year attributable to equity holders of Inventive				(32,599)
Segment assets	2,487,360	16,545		2,503,905
Unallocated corporate assets				40,214
Consolidated total assets				2,544,119
Segment liabilities	1,639,571	11,684		1,651,255
Unallocated corporate liabilities				944,523
Consolidated total liabilities				2,595,778
Capital expenditures	573	—	—	573
Depreciation	1,155	—	710	1,865
Amortisation	25,354	—	—	25,354

II. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

6. Revenues and turnover *(Continued)*

(b) Secondary reporting format — geographical segment

No geographical analysis is provided for the year ended 31 March 2004 as less than 10% of the consolidated turnover, consolidated profit and consolidated assets of the Inventive Group are attributable to markets outside Hong Kong.

The following is an analysis of Inventive Group's turnover, analysed by the geographical market:

	Year ended 31 March		**Six months ended 30 September**	
	2005	**2006**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
From discontinued operations				
— Hong Kong	84,964	53,313	43,462	—
From continuing operations				
— Hong Kong	—	945	450	135
— People's Republic of China (the "PRC")	—	41,545	—	79,179
	84,964	95,803	43,912	79,314

The following is an analysis of revenue, carrying amount of segment assets, additions to intangible assets, property, plant and equipment, analysed by the geographical area in which the assets are located:

Carrying amount of segment assets	**As at 31 March 2005**	**As at 31 March 2006**	**As at 30 September 2006**
	HK$'000	*HK$'000*	*HK$'000*
Hong Kong	1,606,941	66,806	56,759
PRC	584,419	2,380,558	2,487,360
	2,191,360	2,447,364	2,544,119

Additions to investment properties, property, plant and equipment	**Year ended 31 March 2005**	**Year ended 31 March 2006**	**Six months ended 30 September 2006**
	HK$'000	*HK$'000*	*HK$'000*
Hong Kong	7,313	93	—
PRC	196,478	—	573
	203,791	93	573

II. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

7. Net profit/(loss) for the year/period

	Year ended 31 March			Six months ended 30 September	
	2004	**2005**	**2006**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Net profit/(loss) for the year/period is stated after crediting and charging the following:					
Auditors' remuneration	260	266	222	71	111
Operating leases of land and buildings	960	2,729	2,420	960	1,710
Depreciation of property, plant and equipment	349	1,096	2,024	701	1,865
Amortisation of intangible assets	—	—	13,283	—	25,354

8. Staff costs

The amount of staff costs charged to combined income statements represents:

	Year ended 31 March			Six months ended 30 September	
	2004	**2005**	**2006**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Salaries and allowances	714	4,895	7,004	4,337	3,515
Retirement benefit cost *(note 11)*	19	112	163	48	494
	733	5,007	7,167	4,385	4,009

II. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

9. Finance costs

Finance costs comprise the following:

	Year ended 31 March			Six months ended 30 September	
	2004	**2005**	**2006**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
From continuing operations					
Interest on bank loans and overdrafts					
— wholly repayable within five years	191	937	793	716	—
— not wholly repayable within five years	—	—	28,176	311	46,724
Interest on amount due to holding company	1,179	1,184	1,244	852	—
Interest element of finance lease	25	48	30	17	9
Total borrowing costs incurred	1,395	2,169	30,243	1,896	46,733
Bank facilities arrangement fee	89	8	357	354	6
	1,484	2,177	30,600	2,250	46,739
From discontinued operations					
Interest on bank loans and overdrafts not wholly repayable within five years	12,253	14,490	23,398	18,536	—
Other loan interest	—	—	13,827	10,849	
Interest paid to holding company	17,473	18,721	7,975	6,616	—
Interest paid to a related company	3,061	—	—	—	—
Total borrowing costs incurred	32,787	33,211	45,200	36,001	—
Bank charge	323	3,227	1,004	1,003	
Bank facilities arrangement fee paid to holding company	1,500	5,537	4,125	3,375	—
	34,610	41,975	50,329	40,379	—

II. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

10. Taxation

(a) Hong Kong profits tax has been provided at the rate of 17.5% on the estimated assessable profits for the year. Overseas taxation is provided for the overseas operations in accordance with the tax laws of the countries in which the entities operate.

The amount of taxation charged to the combined income statement represents:

	Year ended 31 March			Six months ended 30 September	
	2004	**2005**	**2006**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Hong Kong Profits tax					
— provision for current year	5,679	7,047	—	—	—
— over provision in prior years	47	(63)	(1,355)	(1,355)	—
	5,726	6,984	(1,355)	(1,355)	—
Deferred taxation resulting from origination and reversal of temporary differences	2,525	(624)	(1,891)	(1,985)	(5)
Taxation charge/(credit)	8,251	6,360	(3,246)	(3,340)	(5)
From continuing operations	26	1,468	(1,156)	(1,161)	(5)
From discontinued operations	8,225	4,892	(2,090)	(2,179)	—
	8,251	6,360	(3,246)	(3,340)	(5)

II. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

10. Taxation *(Continued)*

(b) The taxation on the Inventive Group's accounting profit/(loss) differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows:

	Year ended 31 March			Six months ended 30 September	
	2004	**2005**	**2006**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Profir/(loss) before taxation					
— from continuing operations	(296)	(3,496)	363,524	(3,435)	(32,604)
— from discontinued operations	129,111	(84,849)	(32,610)	(8,813)	—
	128,815	(88,345)	330,914	(12,248)	(32,604)
Calculation at a taxation rate of 17.5%	22,543	(15,460)	57,910	(2,143)	(5,706)
Income and expenditure not subject to taxation	(2,554)	(183)	3,808	(51)	527
Expenses not deductible for tax purposes	2,419	20,957	9,614	1	306
Non-taxable items	(14,395)	(11)	(75,737)	364	(208)
Unrecognised tax losses and deductible temporary differences	51	(33)	1,783	(156)	5,076
Tax effect of share of results of a jointly controlled entity	—	1,072	915	184	—
Under/(over) provision in prior years	—	(63)	(1,539)	(1,539)	—
Others	187	81	—		
Taxation charge/(credit)	8,251	6,360	(3,246)	(3,340)	(5)

II. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

11. Retirement benefit costs

Pursuant to the MPF Schemes Ordinance, which became effective on 1 December 2000, all employees of Inventive Group in Hong Kong aged between 18 and 65 are enrolled in the MPF Scheme.

The MPF Scheme is a master trust scheme established under trust arrangement and governed by the laws in Hong Kong. The assets of the MPF Scheme are held separately from the assets of the employer, the trustees and other service providers. Inventive Group and the employees contribute to the MPF Scheme (the "MPF contributions") in accordance with the MPF Schemes Ordinance. The MPF contributions are fully and immediately vested in the employees as accrued benefits once they are paid to the approved trustees of the MPF Scheme. Investment income or profit derived from the investment of accrued benefits (after taking into account any loss arising from such investment) is also immediately vested in the employees.

Pursuant to the PRC rules and regulations, member of the Inventive Group contribute to a state-sponsored retirement plans for its employees in the PRC. Member of the Inventive Group contribute approximately 20% of the basic salaries of its employees in the PRC as determined by the local government during the Relevant Periods, and have no further obligation for the actual payment of pension or post-retirement benefits beyond the annual contribution. The state-sponsored retirement plans are responsible for the entire pension obligations payable to retired employees.

12. Discontinued operations

During the Relevant Periods, the Group disposed of the following operations:

(a) On 11 November 2005, the Group disposed of the entire interests in Winsworld Properties Limited ("Winsworld") to an independent third party. Winsworld was principally engaged in property investment and held an investment property known as "Elizabeth House" in Hong Kong.

(b) On 23 December 2005, the Group disposed of the entire interests in Pacific Land Limited, Raisefull Limited and Sharpstate Limited, all of which engaged in property investment, as partial settlement of the consideration for acquisition of the remaining 55.1% equity interest in Ningbo Beilun Port Expressway Company Limited ("Beilun Company").

The profit/(loss) for the Relevant Periods the discontinued operations is analysed as follows:

	Year ended 31 March			Six months ended 30 September	
	2004	**2005**	**2006**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Profit/(loss) of discontinued operations for the year	120,886	(89,879)	(6,224)	(6,132)	—
Gain on disposal of discontinued operations	—	—	25,700	—	—
Cost on disposal of discontinued operations	—	—	(50,006)	—	—
	120,886	(89,879)	(30,530)	(6,132)	—

II. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

12. Discontinued operation *(Continued)*

The results of the discontinued operations for the Relevant Periods are as follows:

	Year ended 31 March			Six months ended 30 September	
	2004	**2005**	**2006**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Revenue	73,655	84,964	53,313	43,462	—
Direct costs	(9,788)	(13,123)	(9,828)	(7,288)	—
Gross profit	63,867	71,841	43,485	36,174	—
Other revenue	17,120	21,268	2,913	626	—
Administrative expenses	(5,831)	(8,736)	(5,858)	(6,207)	—
Profit from operations	75,156	84,373	40,540	30,593	—
Increase/(decrease) in fair value of investment properties	88,565	(127,385)	1,475	1,475	—
Finance costs	(34,610)	(41,975)	(50,329)	(40,379)	—
Profit/(loss) before taxation	129,111	(84,987)	(8,314)	(8,311)	—
Taxation	(8,225)	(4,892)	2,090	2,179	—
Profit/(loss) for the year/period	120,886	(89,879)	(6,224)	(6,132)	—

During the Relevant Periods, the net cash flows attributable to the operating, investing and financing activities of the discontinued operations are set out below:

	Year ended 31 March			Six months ended 30 September	
	2004	**2005**	**2006**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Net cash (outflow)/inflow from operating activities	90,579	215,601	(605)	(57,172)	—
Net cash outflow from investing activities	(1,435)	(307,556)	—	—	—
Net cash outflow from financing activities	(117,415)	(201,560)	(11,175)	47,214	—
	(28,271)	(293,515)	(11,780)	(9,958)	—

II. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

13. Dividend

No dividend was declared during the Relevant Periods.

14. Earnings/loss per share

No earnings/loss per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to Reorganisation and the preparation of the results for the Relevant Periods on a combined basis as disclosed in note 2 above.

15. Directors' and senior management's emoluments

(a) No emoluments were paid or payable to directors of Inventive during the Relevant Period.

There were no arrangements under which any director waived or agreed to waive any emoluments in respect of the Relevant Periods.

(b) Five highest paid individuals

The emoluments payable to the five highest paid individuals during the Relevant Periods are as follows:

	Year ended 31 March			Six months ended 30 September	
	2004	**2005**	**2006**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Salaries and other benefits	959	2,036	3,212	2,350	1,299
MPF contributions	16	26	12	6	18
	975	2,062	3,224	2,356	1,317

The emoluments fell within the following brand:

	Number of individuals				
	Year ended 31 March			Six months ended 30 September	
Emolument bands	**2004**	**2005**	**2006**	**2005**	**2006**
HK$					
0 — 1,000,000	5	5	5	5	5

II. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

16. Property, plant and equipment

	Leasehold improvements *HK$'000*	Toll collection equipment *HK$'000*	Furniture, fixtures and equipment *HK$'000*	Motor vehicles and others *HK$'000*	Total *HK$'000*
Cost:					
At 1 April 2003	—	—	—	—	—
Additions	—	—	585	2,199	2,784
At 31 March 2004	—	—	585	2,199	2,784
Additions	3,647	—	23	—	3,670
At 31 March 2005	3,647	—	608	2,199	6,454
Acquisition of subsidiaries	38,703	398	605	1,171	40,877
Additions	—	—	93	—	93
Exchange adjustment	286	3	5	8	302
At 31 March 2006	42,636	401	1,311	3,378	47,726
Additions	—	—	378	195	573
Disposals	—	—	(33)	(41)	(74)
Exchange adjustment	717	8	16	24	765
At 30 September 2006	43,353	409	1,672	3,556	48,990
Accumulated depreciation:					
At 1 April 2003	—	—	—	—	—
Charge for the year	—	—	55	294	349
At 31 March 2004	—	—	55	294	349
Charge for the year	425	—	121	550	1,096
At 31 March 2005	425	—	176	844	1,445
Acquisition of subsidiaries	862	145	397	678	2,082
Charge for the year	1,179	25	176	644	2,024
Exchange adjustment	9	1	3	5	18
At 31 March 2006	2,475	171	752	2,171	5,569
Charge for the year	1,238	39	182	406	1,865
Written back on disposal	—	—	(30)	(40)	(70)
Exchange adjustment	35	4	10	16	65
At 30 September 2006	3,748	214	914	2,553	7,429
Net book value:					
At 30 September 2006	39,605	195	758	1,003	41,561
At 31 March 2006	40,161	230	559	1,207	42,157
At 31 March 2005	3,222	—	432	1,355	5,009
At 31 March 2004	—	—	530	1,905	2,435

Net book value of property, plant and equipment under finance lease as at 31 March 2004, 2005 and 2006 and 30 September 2006 amounted to HK$1,137,500, HK$812,500, HK$487,500 and HK$325,000 respectively.

II. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

17. Investment property

	HK$'000
At 1 April 2003	1,530,000
Additions	1,435
Increase in fair value during the year	88,565
At 31 March 2004	1,620,000
Additions	200,121
Decrease in fair value during the year	(127,385)
At 31 March 2005	1,692,736
Increase in fair value during the year	1,475
Acquisition of a subsidiary	20,000
Disposal of subsidiaries	(1,694,211)
At 31 March 2006	20,000
Decrease in fair value during the period	(3,500)
At 30 September 2006	16,500

The Inventive Group's interests in investment properties are analysed as follows:

		As at 31 March		**As at 30 September**
	2004	**2005**	**2006**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Investment properties				
— in Hong Kong, held on leases of over 50 years	1,620,000	1,480,000	—	—
— in Hong Kong, held on leases of less than 50 years	—	—	20,000	16,500
— outside Hong Kong, held on leases of less than 50 years	—	212,736	—	—
	1,620,000	1,692,736	20,000	16,500

At 30 September 2006, the investment property located in Hong Kong was stated at open market value at HK$16,500,000 with reference to subsequent sale of the property on 9 February 2007.

At 30 September 2006, the investment property was mortgaged as securities for bank loans of HK$11,663,000 granted to the Inventive Group (note 28).

II. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

18. Intangible assets

Operating right of Ningbo Beilun Port Expressway	*HK$'000*
Cost:	
At 1 April 2003 and 31 March 2004 and 2005	—
Acquisition of a subsidiary	1,862,607
Exchange adjustment	13,764
At 31 March 2006	1,876,371
Exchange adjustment	34,507
At 30 September 2006	1,910,878
Accumulated amortisation	
At 1 April 2003 and 31 March 2004 and 2005	—
Acquisition of a subsidiary	87,654
Charge for the year	13,283
Exchange adjustment	701
At 31 March 2006	101,638
Charge for the period	25,354
Exchange adjustment	2,192
At 30 September 2006	129,184
Net book value:	
At 30 September 2006	1,781,694
At 31 March 2006	1,774,733
At 31 March 2005 and 2004	—

At 30 September 2006, the operating right of Ningbo Beilun Port Expressway was pledged as security for the bank loan of HK$1,589 million (equivalent to RMB1,612 million) granted to the Inventive Group (note 28).

The amortisation charge for the year is included in direct costs in the combined income statement.

Operating right of Ningbo Beilun Port Expressway is amortised on a units-of-usage basis whereby amortisation is provided based on the ratio of traffic volume for a particular period over the projected total traffic volume throughout the operating period of the respective toll roads.

II. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

19. Goodwill

	HK$'000
At 1 April 2003 and 31 March 2004 and 2005	—
Arising on acquisition of a subsidiary	237,413
Transfer from interest in a jointly controlled entity	24,623
Exchange adjustment	2,394
At 31 March 2006	264,430
Exchange adjustment	4,863
At 30 September 2006	269,293

For the purpose of impairment review, goodwill set out above is allocated to the cash generating unit, toll road operation of Beilun Company.

The recoverable amount of the cash generating unit ("CGU") is determined from value in use calculation. The key assumptions for the value in use calculation are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the year. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

During the year, Inventive Group performed an impairment review for goodwill based on cash flow forecasts derived from the most recent financial budgets approved by management using a discount rate of 13.22%, while the forecast is based on the financial budget which assumes no growth. The value in use calculated by using the discount rate is higher than the carrying amount of the goodwill allocated to the CGU and accordingly, no impairment loss was considered necessary.

20. Investment in a jointly controlled entity

		As at 31 March		**As at 30 September**
	2004	**2005**	**2006**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Share of net assets	—	239,250	—	—
Goodwill on acquisition	—	24,623	—	—
	—	263,873	—	—

At 31 March 2005, Inventive Group held a 44.9% equity interest in Beilun Company. On 23 December 2005, Inventive Group further acquired the remaining 55.1% equity interest in Beilun Company (note 30(a)(i)) and accordingly, Beilun Company became a wholly-owned subsidiary of Inventive and its financial statements have been consolidated into the Inventive Group since that date.

II. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

21. Deposit for acquisition of a subsidiary

The amount in 2005 represented a deposit of HK$6,000,000 paid for acquisition of the entire equity interest in Gold Canton Investment Limited ("Gold Canton").

22. Deposit for acquisition of investment properties

The deposit represents payment for acquisition of properties which were located in the PRC.

23. Trade and other receivables, deposits and prepayments

	As at 31 March			As at 30 September
	2004	**2005**	**2006**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables *(note (a))*	2,856	6,240	19,656	2,142
Loan receivables *(note (b))*	240,222	36,000	34,000	34,000
Other receivables	16,721	10,498	12,970	11,647
Deposits for construction and maintenance contracts	—	—	—	103,991
Other deposits and prepayments	12,114	3,682	2,632	881
	271,913	56,420	69,258	152,661

(a) The Inventive Group allows an average credit period of one month to its trade customers. All the trade receivables are expected to be recovered within one year, the trade receivables are all net of impairment loss for bad and doubtful debts. The following is an ageing analysis of trade receivables at the balance sheet date:

	As at 31 March			As at 30 September
	2004	**2005**	**2006**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 30 days	1,846	2,502	13,655	2,142
31 — 60 days	737	1,007	5,866	—
61 — 90 days	16	959	135	—
Over 90 days	257	1,772	—	—
	2,856	6,240	19,656	2,142

II. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

23. Trade and other receivables, deposits and prepayments *(Continued)*

(b) Included in loan receivables as at 31 March 2004 was loan of HK$195,090,000 granted to the borrower to finance its acquisition of the entire equity interest in four companies (the "Target Companies"). The equity interest in one of the Target Companies was held by two companies (the "Registered Shareholders"), owned by a director of the Company, in trust for the borrower. The directors of the Company have confirmed that the borrower is not related to the Group or any of the Company's directors or substantial shareholders. This loan was interest bearing at 5% per annum. During the year ended 31 March 2005, the loan receivable was repaid by the assignment of a fixed deposit of HK$200 million held in an overseas finance service company (the "FS Company") by one of the Registered Shareholders to the Company on behalf of the borrower.

The other loan receivables amounting to HK$45,132,000 as at 31 March 2004 were granted to two borrowers to finance their acquisition of equity interest in various companies holding property projects. The loans bore interest ranging from 0.5% above the Hong Kong Prime rate to 5% per annum and are secured by personal guarantees of the shareholders of the borrowers. During the year ended 31 March 2005, all these loans were repaid.

The directors of the Company have confirmed that the borrowers are not related to the Inventive Group or any of the Company's directors or substantial shareholders.

During the year ended 31 March 2005, the Inventive Group entered into a call option agreement with three third parties (collectively the "Vendors") whereby an option premium of HK$55 million was paid to the Vendors to acquire a right (the "Call Option") to buy 65% equity interest in a company which holds equity interest in a number of toll road projects in the PRC at consideration of HK$500 million. Subsequently, the Call Option was cancelled and partial refunds of option premium in the amount of HK$19 million and HK$2 million were received in the year ended 31 March 2005 and 2006 respectively. On 18 July 2006, Inventive Group and another third party entered into a debt assignment whereby Inventive Group assigned the remaining balance to the third party. On 5 January 2007, Inventive Group received the amount in full.

24. Pledged deposits

The amounts as at 31 March 2004 and 2005 represented deposits pledged to a bank in Hong Kong to secure banking facilities granted to members of the Inventive Group.

25. Other payables, deposits received and accrued charges

		As at 31 March		As at 30 September
	2004	**2005**	**2006**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Rental deposits *(i)*	15,899	18,215	180	—
Other payables and accrued charges *(ii)*	4,961	203,693	18,163	26,408
	20,860	221,908	18,343	26,408

(i) Rental deposits are repayable when the tenancy contracts lapse.

(ii) On 17 January 2005, the Inventive Group entered into a memorandum of understanding ("MOU") with an independent third party whereby the Inventive Group and the third party shall form a jointly venture targeting to acquire equity interests in toll road projects in the PRC. Pursuant to the MOU, the independent third party paid deposits of HK$200,000,000 and HK$100,000,000 to the Inventive Group for the above purpose in the year ended 31 March 2005 and 2006 respectively.

In the year ended 31 March 2006, the Inventive Group and the third party agreed to cancel the MOU and the deposit of HK$300,000,000 was re-financed into a short term loan.

II. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

26. Share capital

Inventive was incorporated in Bermuda on 27 September 2006, with an authorised share capital of HK$200,000,000 divided into 2,000,000,000 shares of HK$0.10 each.

27. Obligations under finance lease

At the balance sheet date, the Inventive Group's obligations under finance lease are repayable as follows:

		As at 31 March		**As at 30 September**
	2004	**2005**	**2006**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	354	354	354	236
In the second year	354	354	59	—
In the third to fifth year	414	59	—	—
	1,122	767	413	236
Future finance charges on finance lease	(92)	(43)	(13)	(4)
Present value of finance lease obligations	1,030	724	400	232

The present value of finance lease obligations is as follows:

Within one year	306	324	342	232
In the second year	324	342	58	—
In the third to fifth year	400	58	—	—
	1,030	724	400	232

28. Bank loans

		As at 31 March		**As at 30 September**
	2004	**2005**	**2006**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Bank loans, secured	612,500	855,000	1,572,167	1,600,612
Bank loans, unsecured	35,000	35,000	—	—
	647,500	890,000	1,572,167	1,600,612
Less: Amount due for settlement within 12 months (shown under current liabilities)	(91,000)	(95,000)	(1,686)	(4,078)
Amount due for settlement after 12 months	556,500	795,000	1,570,481	1,596,534

II. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

28. Bank loans *(Continued)*

At 30 September 2006 and 31 March 2006, bank loans are secured by a charge over the operating right of the Ningbo Beilun Port Expressway of Inventive Group (notes 18) and corporate guarantee given by a related company.

The bank loans as at 31 March 2005 and 2004 were secured by the investment properties and other specified assets of the Inventive Group and corporate guarantees of the holding company.

The analysis of the above is as follows:

				As at
		As at 31 March		**30 September**
	2004	**2005**	**2006**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Wholly repayable within five years	35,000	890,000	—	—
Not wholly repayable within five years	612,500	—	1,572,167	1,600,612
	647,500	890,000	1,572,167	1,600,612

At the balance sheet date, the Inventive Group's bank loans are repayable as follows:

				As at
		As at 31 March		**30 September**
	2004	**2005**	**2006**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	91,000	95,000	1,686	4,078
In the second year	64,000	60,000	18,556	46,100
In the third to fifth year	249,000	735,000	313,534	370,555
After five years	243,500	—	1,238,391	1,179,879
	647,500	890,000	1,572,167	1,600,612

The carrying amounts of the Inventive Group's borrowings are denominated in the following currencies:

				As at
		As at 31 March		**30 September**
	2004	**2005**	**2006**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong dollar	647,500	890,000	11,912	11,664
Renminbi	—	—	1,560,255	1,588,948
	647,500	890,000	1,572,167	1,600,612

II. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

28. Bank loans *(Continued)*

The effective interest rates at the balance sheet date were as follows:

	As at 31 March			As at 30 September
	2004	**2005**	**2006**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Bank borrowings				
Hong Kong dollar	1.053%	3.977%	5.750%	6.000%
Renminbi	—	—	5.814%	5.814%

The carrying amount of borrowings approximates their fair value.

The bank borrowings carry a variable interest rate with reference to the Hong Kong Dollar Prime Lending Rate and lending rates quoted by Bank of China Limited.

29. Deferred tax liabilities

Deferred taxation is calculated in full on temporary differences under the liability method using a taxation rate of 17.5%.

The movement on the deferred tax liabilities account is as follows:

	As at 31 March			As at 30 September
	2004	**2005**	**2006**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At beginning of year/period	1,136	3,661	3,037	5
Charged/(credited) to combined income statement *(note 10)*	2,525	(624)	(1,891)	(5)
Disposal of subsidiaries	—	—	(1,141)	—
At end of year/period	3,661	3,037	5	—

II. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

29. Deferred tax liabilities *(Continued)*

The movement in deferred tax liabilities and assets (prior to offsetting of balances within the same taxation jurisdiction) during the Relevant Periods are as follows:

Deferred tax liabilities	**Accelerated tax depreciation**	**Others**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 April 2003	694	442	1,136
Charged/(credited) to combined income statement	2,580	(55)	2,525
At 31 March 2004	3,274	387	3,661
Credited to combined income statement	(237)	(387)	(624)
At 31 March 2005	3,037	—	3,037
Credited to combined income statement	(1,700)	—	(1,700)
Disposal of subsidiaries	(1,141)	—	(1,141)
At 31 March 2006	196	—	196
Credited to combined income statement	(42)	—	(42)
At 30 September 2006	154	—	154

Deferred tax assets	**Tax loss**
	HK$'000
At 1 April 2003, 31 March 2004 and 2005	—
Credited to combined income statement	(191)
At 31 March 2006	(191)
Charged to combined income statement	37
At 30 September 2006	(154)

Deferred income tax assets are recognised for tax losses carry forwards and deductible temporary differences to the extent that realisation of the related tax benefit through the future taxable profits is probable. Details of unrecognised temporary differences as at the year/period end are as follows:

		As at 31 March		**As at 30 September**
	2004	**2005**	**2006**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Inventive Group				
Unutilised tax losses	—	32	50,880	52,210

Included in the unrecognised untilised tax losses as at 30 September 2006 is an amount of HK$50,537,000 (equivalent to RMB51,270,000) which will expire between 2007 and 2010. The remaining may be carried forward indefinitely.

II. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

30. Notes to the combined cash flow statements

(a) Acquisition of subsidiaries

(i) On 23 December 2005, the Inventive Group acquired a further 55.1% equity interest in its jointly controlled entity, Beilun Company for a consideration of HK$530 million. After the acquisition, Inventive Group holds 100% equity interest in Beilun Company. This transaction has been accounted for by the purchase method of accounting.

	HK$'000
Net assets acquired	
Intangible assets	1,774,953
Property, plant and equipment	38,795
Trade and other receivables, deposits and prepayments	46,576
Amounts due from related companies	273,261
Cash and bank balances	8,956
Accounts and other payables	(58,858)
Amount due to a related company	(3,862)
Bank borrowings	(1,548,810)
	531,011
55.1% equity interest acquired	292,587
Goodwill	237,413
Total consideration	530,000
Total consideration is satisfied by	
Cash	185,500
Entire interests (including the loans made by Inventive Group) in three subsidiaries, which held properties in the PRC (note 30(b)(ii))	344,500
	530,000

The goodwill arising on the acquisition of Beilun Company is attributable to the anticipated profitability of the toll road operation of Beilun Company.

Beilun Company contributed HK$41,545,000 to the Inventive Group's revenue and incurred loss of HK$10,783,000 before taxation to the Inventive Group for the period from the date of acquisition to 31 March 2006.

If the acquisition had been completed on 1 April 2005, total group revenue for the year ended 31 March 2006 would have been HK$263,362,000, and loss for the year ended 31 March 2006 would have been HK$151,988,000.

II. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

30. Notes to the combined cash flow statements *(Continued)*

(a) Acquisition of subsidiaries *(Continued)*

(ii) On 10 May 2005, the Inventive Group acquired 100% equity interest in Gold Canton for a cash consideration of HK$7,788,000. This transaction has been accounted for by the purchase method of accounting.

The net assets acquired in the transaction are as follows:

	Acquiree's carrying amount before combination *HK$'000*	**Fair value adjustments** *HK$'000*	**Fair value** *HK$'000*
Net assets acquired:			
Investment property	15,899	4,101	20,000
Prepayments	4	—	4
Cash and bank balances	1	—	1
Accrued charges	(57)	—	(57)
Bank borrowings	(12,160)	—	(12,160)
	3,687	4,101	
Total consideration			7,788

Part of consideration amounting to HK$6,000,000 was prepaid in the year ended 31 March 2005 and the remaining balance of HK$1,788,000 was settled in cash in the year ended 31 March 2006.

Gold Canton contributed revenue of HK$945,000 and profit of HK$27,000 before taxation to the Inventive Group for the period from the date of acquisition to 31 March 2006.

(iii) Net cash outflow arising on acquisition of subsidiaries:

	HK$'000
Cash consideration paid	(187,288)
Cash and cash equivalents acquired	8,957
	(178,331)

II. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

30. Notes to the combined cash flow statements *(Continued)*

(b) Disposal of subsidiaries

(i) As disclosed in note 12(a), during the year ended 31 March 2006, the Inventive Group disposed of its subsidiary, Winsworld Properties Limited.

The net assets of Winsworld at the date of disposal of and at 31 March 2005 were as follow:

	At the date of disposal	**31/03/2005**
	HK$'000	*HK$'000*
Property, plant and equipment	1,480,000	1,480,000
Trade and other receivables, deposits and prepayments	1,679	19,954
Pledged deposits	48,939	48,400
Cash and bank balances	363	12,143
Other payables, deposits received and accrued charges	(23,693)	(221,431)
Taxation	205	(1,570)
Bank borrowings	(825,000)	(855,000)
Other borrowings	(335,000)	—
Deferred taxation	(1,141)	(2,853)
		479,643
Total consideration satisfied by cash	346,352	

During the period from 1 April 2005 to the date of disposal, Winsworld utilised HK$605,000 and HK$11,175,000 on operating and investing activities respectively.

(ii) As disclosed in note 30(a)(i), the Inventive Group disposed of entire interests in Pacific Land Limited, Raisefull Limited and Sharpstate Limited for settlement of consideration of HK$344.5 million.

The net assets of the subsidiaries (excluding loans made by the Inventive Group) at the date of disposal of and at 31 March 2005 were as follow:

	At the date of disposal	**31/03/2005**
	HK$'000	*HK$'000*
Property, plant and equipment	—	3,221
Investment properties	214,212	212,736
Deposit for investment property	104,588	104,588
Interest in a jointly controlled entity	—	263,873
Cash and bank balances	—	1
Accrued charges	—	(125)
Taxation	—	(140)
	318,800	584,154
Gain on disposal	25,700	
For settlement of consideration	344,500	

The subsidiaries did not have significant impacts on the Inventive Group's results and cash flows for the period from 1 April 2005 to the date of disposal.

II. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

30. Notes to the combined cash flow statements *(Continued)*

(b) Disposal of subsidiaries *(Continued)*

(iii) Net cash inflow arising on disposal of subsidiaries:

	HK$'000
Cash consideration received	346,352
Cash and cash equivalents disposed of	(363)
	345,989

31. Commitments

Operating lease

(i) At the balance sheet date, the Inventive Group had future aggregate minimum lease payments payable under non-cancellable operating leases in respect of land and buildings as follows:

		As at 31 March		As at 30 September
	2004	**2005**	**2006**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Not later than one year	2,844	1,920	2,460	3,420
Later than one year and not later than five years	3,727	960	1,000	4,090
	6,571	2,880	3,460	7,510

(ii) At the balance sheet date, the Inventive Group had future aggregate minimum lease receipts under non-cancellable operating leases in respect of land and buildings as follows:

		As at 31 March		As at 30 September
	2004	**2005**	**2006**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Group				
Not later than one year	61,759	72,547	135	—
Later than one year and not later than five years	83,626	92,668	—	—
	145,385	165,215	135	—

II. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

32. Related party transactions

In opinion of the directors, the ultimate controlling party of Inventive Group is Mexan Group Limited which is incorporated in the British Virgin Islands.

Transactions between Inventive and its subsidiaries, which are related parties of Inventive, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between Inventive Group and other related parties are disclosed below.

(a) Other than those disclosed elsewhere in the financial statements, during the Relevant Periods and in the ordinary course of business, the Inventive Group had the following material transactions with related parties which are not members of Inventive Group:

	Year ended 31 March			Six months ended 30 September	
	2004	**2005**	**2006**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
Rental expenses *(Note (i))*	960	1,920	1,920	960	960
Purchase of motor vehicles	390	—	—	—	—
Management fee paid *(Note (ii))*	—	—	4,030	—	6,073
Management fee and other income from immediate holding company	486	8,621	11,596	5,112	5,021

(i) The Inventive Group rented office premises, certain furniture and fixtures and car parks for three years effective from 1 October 2003 at a HK$160,000 per month from Mexan International Limited ("MIL"). On 18 September 2006, the Inventive Group entered into a new tenancy agreement with MIL to extend the lease arrangement for a three-year period to 30 September 2009. MIL is beneficially owned as to approximately 95% by Mr Lau Kan Shan, an executive director, chairman and controlling shareholder of the immediate holding company of Inventive.

(ii) Beilun Company, Inventive's subsidiary and Shanghai Mexan Enterprise Development (Group) Company Limited ("Shanghai Mexan") entered into a toll road management agreement and a supplemental agreement whereby Beilun Company contracted with Shanghai Mexan for the latter company to manage the operations of the Ningbo Beilun Port Expressway for a total sum of RMB300 million for a period of 24 years commencing 1 July 2004 with an annual management fee of RMB12,500,000. Beilun Company has a right to terminate the contract by giving a 6-month written notice to Shanghai Mexan.

Under the contract, Shanghai Mexan is obligated to manage the toll collection, request monthly statement from Zhejiang Expressway Clearance Centre, manage the daily maintenance of the toll road and communicate to the relevant government authorities on behalf of Beilun Company.

Shanghai Mexan is beneficially owned as to approximately 74.7% by Mr Lau Kan Shan, an executive director, chairman and controlling shareholder of the immediate holding company of Inventive.

The related party transactions in respect of item (a) above also constitute continuing connected transactions as defined in Charter 14A of the Listing Rules.

(b) In connection with management contract as disclosed in note (a)(ii), Beilun Company has made prepayments of management fees to Shanghai Mexan. In case Beilun Company exercises its right to early terminate the management contracts, Shanghai Mexan will repay Beilun Company the remaining balance of the prepaid management fees.

(c) Amounts due from and to related companies are unsecured, interest free and repayable on demand.

II. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

32. Related party transactions *(Continued)*

(d) In December 2005, Inventive Group acquired the remaining 55.1% equity interest in its jointly controlled entity, Beilun Company, for a consideration of HK$530 million from Mexan Holdings Limited ("MHL") and China Huaxing Asset Management Limited ("CHAM"). The consideration was satisfied by cash of HK$185.5 million and the transfer of the entire interests (including the loans made by Inventive Group) in three subsidiaries of Inventive Group.

MHL is 99.99% beneficially owned by Mr Lau Kan Shan. CHAM is 66.67% beneficially owned by Shanghai Mexan. These related party transactions also constitute connected transactions as defined in Charter 14A of the Listing Rules. Details of the transactions are set out in the announcement of Mexan Limited dated 31 August 2005 and the circular of Mexan Limited dated 14 November 2005.

(e) The amount due to holding company is unsecured, non-interest bearing and in substance represent the holding company's interest in Inventive Group in the form of quasi-equity loans.

(f) The remuneration of members of key management during the Relevant Periods was as follows:

	Year ended 31 March			Six months ended 30 September	
	2004	**2005**	**2006**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
Salaries	753	1,699	1,924	850	1,031
MPF contribution	20	43	35	17	18
	773	1,742	1,959	867	1,049

33. Financial risk management

The main risks arising from the Inventive Groups' financial instruments in the normal course of the group's business are credit risk, liquidity risk, interest rate and currency risk. These risks are limited by the group's financial management policies and practices described below. Generally, the Inventive Group introduces conservative strategies on its risk management. The Inventive Group has not used any derivatives and other instruments for hedging purposes nor does it hold or issue derivative financial instruments for trading purposes.

(a) Credit risk

The Inventive Group's principal financial assets are cash and bank balances, trade and other receivables.

The Inventive Group's credit risk is primarily attributable to its receivables arising from the default of the debtors. The amounts presented in the balance sheet are net of provisions for doubtful receivables. A provision for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

II. NOTES TO THE FINANCIAL INFORMATION *(Continued)*

33. Financial risk management

(b) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Inventive Group aims to maintain flexibility in funding by keeping committed credit lines available.

(c) Fair value and cash flow interest rate risk

As the Inventive Group has no significant interest-bearing assets, the Inventive Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Inventive Group's exposure to interest rate risks relates primarily to the Inventive Group's borrowings with a floating interest rate. The interest rates and terms of repayment of the Inventive Group's borrowings are disclosed in note 28 to the financial statements. The Inventive Group's policy is to obtain the most favorable interest rates available for its borrowings.

(d) Foreign exchange risk

The Inventive Group's monetary assets and transactions are principally denominated in Hong Kong Dollars ("HKD") and Renminbi ("RMB"). Inventive Group is exposed to foreign exchange risk arising from the exposure of HKD against RMB. The conversion of RMB into HKD is subject to the rules and regulations of foreign exchange control promulgated by the PRC government. Considering that there is insignificant fluctuation in the exchange rate between HKD and RMB, the Inventive Group believes its exposure to exchange rate risk is normal.

(e) Fair values estimation

All financial instruments are carried at amounts not materially different from their fair values as at 31 March 2004, 2005 and 2006 and 30 September 2006.

The fair value of interest-bearing loans and borrowings and finance lease liabilities is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

Fair value estimates are made at a specific point in time and based on relevant market information and information about the financial instruments. These estimates are subjective in nature, involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

34. Subsequent events

On 9 February 2007, the Inventive Group disposed of its investment property to a third party for a consideration of HK$16,500,000.

III. SUBSEQUENT ACCOUNTS

No audited accounts have been prepared by the Inventive Group in respect of any period subsequent to 30 September 2006 and no dividend or other distribution has been declared, made or paid by Inventive.

Yours faithfully,
For and on behalf of
Horwath Hong Kong CPA Limited
Certified Public Accountants
Hong Kong

Chan Kam Wing, Clement
Director
Practising Certificate number P02038

UNAUDITED PRO FORMA FINANCIAL INFORMATION ON THE REMAINING GROUP

1. PRO FORMA CONSOLIDATED BALANCE SHEET OF THE REMAINING GROUP AS AT 30 SEPTEMBER 2006

The following is the unaudited pro forma consolidated balance sheet of the Remaining Group, assuming that the proposal in respect of the Group Reorganisation, the Special Cash Dividend, the Termination Deed and the Deed of Novation (as defined in the Circular) (the "Proposal Plan") had been completed on 30 September 2006. The unaudited pro forma consolidated balance sheet was prepared based on the audited consolidated balance sheet of the Group as at 30 September 2006, as set out in the accountants' report on the Group in Appendix II to this circular.

The unaudited pro forma consolidated balance sheet of the Remaining Group was prepared for illustrative purposes only and because of its nature, it may not give a true picture of the financial position of the Remaining Group following completion of the Proposal Plan or at any future date.

	The Group as at 30 September 2006		**Pro forma adjustments**			**Pro forma Remaining Group**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	
Non-current assets						
Property, plant and equipment	699,336	(41,561)				657,775
Investment property	16,500	(16,500)				—
Intangible assets	1,793,458	(1,781,694)				11,764
Goodwill	269,293	(269,293)				—
Investments in club debentures	1,350	—				1,350
Amount due from a related company	255,681	(255,681)				—
	3,035,618	(2,364,729)				670,889
Current assets						
Trade and other receivables, deposits and prepayments	259,844	(152,661)		(82,634)		24,549
Amount due from a related company	12,321	(12,321)				—
Cash at banks and in hand	30,731	(14,408)		(7,361)	(6,000)	2,962
	302,896	(179,390)				27,511

	The Group as at 30 September 2006		Pro forma adjustments			Pro forma Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	
Current liabilities						
Other payables, deposits received and accrued charges	42,881	(26,408)				16,473
Amounts due to related companies	24,887	(24,887)				—
Dividend payable	1,175	—				1,175
Current portion of obligations under finance lease	232	(232)				—
Current portion of bank loans	38,810	(4,078)				34,732
	107,985	(55,605)				52,380
Net current assets/(liabilities)	194,911	(123,785)				(24,869)
Total assets less current liabilities	3,230,529	(2,488,514)				646,020
Equity						
Share capital	131,092	—				131,092
Reserves	1,098,015	51,659	(943,639)	(89,995)	(6,000)	110,040
	1,229,107	51,659				241,132
Non-current liabilities						
Bank loans	1,959,219	(1,596,534)				362,685
Other loans	42,203					42,203
Amount due to holding company	—	(943,639)	943,639			—
	2,001,422	(2,540,173)				404,888
	3,230,529	(2,488,514)				646,020

Notes:

1. The amounts have been extracted without adjustment from the accountants' report on the Group as set out in Appendix II to this circular.

2. The adjustment reflects the de-consolidation effect consequent upon completion of the Proposal, deemed had been completed on 30 September 2006. The amounts represent the elimination of assets and liabilities of the Inventive Group as at 30 September 2006 which have been extracted from the accountants' report on the Inventive Group as set out in Appendix III to this circular.

3. The adjustment represents the amount of HK$943,639,000 owed by the Inventive Group to the Company to be assigned to Inventive for which HK$891,980,000 will be capitalised by issuance of shares in Inventive and the remaining HK$51,659,000 will be waived by the Company.

4. the adjustment represents payment of dividend of HK$89,995,000 after withdrawal of deposit of HK$82,634,000 in securities trading company.

5. Adjustment represents the professional and legal fees and other expenses to be incurred by the Group in relation to the Proposal Plan.

2. UNAUDITED PRO FORMA CONSOLIDATED INCOME STATEMENT OF THE REMAINING GROUP FOR THE YEAR ENDED 31 MARCH 2006

The following is the unaudited pro forma consolidated income statement of the Remaining Group, assuming that the Proposal Plan had been completed at the commencement of the year ended 31 March 2006. The unaudited pro forma consolidated income statement was prepared based on the audited consolidated income statement of the Group for the year ended 31 March 2006, as set out in the accountants' report on the Group in Appendix II to this circular.

The unaudited pro forma consolidated income statement of the Remaining Group was prepared for illustrative purposes only and because of its nature, it may not give a true picture of the results of the Remaining Group following completion of the Proposal Plan or for any future financial periods.

	The Group for the year ended 31 March 2006	**Pro forma adjustments**			**Pro forma Remaining Group**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	
Turnover	118,172	(42,490)			75,682
Direct costs	(39,730)	19,041			(20,689)
Gross profits	78,442	(23,449)			54,993
Other revenue	23,200	(16,666)	12,840		19,374
Administrative expenses	(122,278)	40,974	(11,596)		(92,900)
Profit/(loss) from operations	(20,636)	859			(18,533)
Finance costs	(51,069)	30,600	(1,244)		(21,713)
Share of results of a jointly controlled entity	(5,226)	5,226			—
Waiver of amount due to holding company	—	(400,219)		400,219	—
Loss before taxation	(76,931)	(363,534)			(40,246)
Taxation charge	(1,415)	(1,156)			(2,571)
Loss for the year from continuing operations	(78,346)	(364,690)			(42,817)
Loss for the year from discontinued operation	(30,530)	30,530			—
Loss for the period attributable to the equity holders of the Company	(108,876)	(334,160)			(42,817)

Notes:

1. The amounts have been extracted without adjustment from the accountants' report on the Group as set out in Appendix II to this circular.

2. The adjustment reflects the de-consolidation effect consequent upon completion of the Proposal, deemed had been completed at the commencement of the year ended 31 March 2006. The amounts represent the elimination of income, other revenues and operating costs of the Inventive Group for the year ended 31 March 2006 which have been extracted from the accountants' report on the Inventive Group as set out in Appendix III to this circular.

3. The adjustment reflects the elimination of intercompany management fee and other expenses of HK$12,840,000 charged by the Inventive Group to the Remaining Group during the year ended 31 March 2006.

4. The adjustment represents offset of waiver of amount due to holding company against the provision for the amount due from the Inventive Group which had been made by the Remaining Group prior to the commencement of the year ended 31 March 2006.

3. UNAUDITED PRO FORMA CONSOLIDATED CASH FLOW STATEMENT OF THE REMAINING GROUP FOR THE YEAR ENDED 31 MARCH 2006

The following is the unaudited pro forma consolidated cash flow statement of the Remaining Group, assuming that the Proposal Plan had been completed at the commencement of the year ended 31 March 2006. The unaudited pro forma consolidated cash flow statement was prepared based on the audited consolidated cash flow statement of the Group for the year ended 31 March 2006, as set out in the accountants' report on the Group in Appendix II to this circular.

The unaudited pro forma consolidated cash flow statement of the Remaining Group was prepared for illustrative purposes only and because of its nature, it may not give a true picture of the results of the Remaining Group following completion of the Proposal Plan or for any future financial periods.

	The Group for the year ended 31 March 2006	Pro forma adjustments			Pro forma Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	
Operating activities					
Loss for the period	(108,876)	(334,160)		400,219	(42,817)
Taxation	(675)	3,246			2,571
Share of results of a jointly controlled entity	5,226	(5,226)			—
Increase in fair value of investment property	(1,475)	1,475			—
Interest income	(6,995)	1,010			(5,985)
Interest expenses	85,772	(75,443)			10,329
Depreciation of property, plant and equipment	19,584	(2,024)			17,560
Amortisation of intangible assets	14,450	(13,283)			1,167
Waiver of amount due to holding company	—	400,219		(400,219)	—
Gain on disposal of subsidiaries	(25,700)	25,700			—
Operating cash flows before working capital changes	(18,689)	1,514			(17,175)
Increase in trade and other receivables, deposits and prepayments	(11,843)	(30,063)			(41,906)
Decrease in amount due from a related company	2,027	(2,027)			—
(Decrease)/increase in other payables, deposits received and accrued charges	(31,386)	38,574			7,188
Increase in amounts due to related companies	6,346	(6,346)			—
Effect of foreign exchange rate changes	1,943	(1,943)			—
Net cash used in operations	(51,602)	(291)			(51,893)
Hong Kong profits tax paid	(2,847)	1,732			(1,115)
Interest received on bank balances	6,456	(471)			5,985
Net cash used in operating activities	(47,993)	970			(47,023)

	The Group for the year ended 31 March 2006	Pro forma adjustments			Pro forma Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	
Investing activities					
Acquisition of subsidiaries	(178,331)	178,331			—
Disposal of subsidiaries	345,989	(345,989)			—
Purchase of property, plant and equipment	(262)	93			(169)
Decrease in fixed deposits with the FS Company	240,176	—			240,176
Repayment from Inventive Group	—	—	180,402		180,402
Repayment of loan receivable	2,000	(2,000)			—
Deposit paid for acquisition of a subsidiary	(70,000)	—			(70,000)
Deposit paid for acquisition of investment properties	(4,000)	4,000			—
Net cash generating from investing activities	335,572	(165,565)			350,409
Financing activities					
Interest element of finance lease payments	(30)	30			—
New bank loans	425,000	—			425,000
New other loans	200,999	(135,000)			65,999
Repayment of bank loans	(76,247)	65,248			(10,999)
Repayment of other loans	(40,380)	—			(40,380)
Redemption of convertible notes	(160,000)	—			(160,000)
Repayment of promissory notes	(320,000)	—			(320,000)
Interest paid on borrowings	(85,210)	66,407			(18,803)
Capital element of finance lease payments	(324)	324			—
Decrease in amount due to holding company	—	180,402	(180,402)		—
Dividend paid	(247,962)	—			(247,962)
Net cash used in financing activities	(304,154)	177,411			(307,145)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(16,575)	12,816			(3,759)
Effect of foreign exchange rate changes	35	(35)			—
Cash and cash equivalents at 1 April 2005	36,944	(14,333)			22,611
CASH AND CASH EQUIVALENTS AT 31 MARCH 2006	20,404	(1,552)			18,852
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS					
Cash and bank balances	20,404	(1,552)			18,852

Notes:

1. The amounts have been extracted without adjustment from the accountants' report on the Group as set out in Appendix II to this circular.

2. The adjustment reflects the de-consolidation effect consequent upon completion of the Proposal, deemed had been completed at the commencement of the year ended 31 March 2006. The amounts represent the elimination of cash movements of the Inventive Group for the year ended 31 March 2006 which have been extracted from the accountants' report on the Inventive Group as set out in Appendix III to this circular.

3. The adjustment reflects the increase in advance from the Remaining Group to the Inventive Group during the year ended 31 March 2006.

4. The adjustment represents offset of waiver of amount due to holding company against the provision for the amount due from the Inventive Group which had been made by the Remaining Group prior to the commencement of the year ended 31 March 2006.

COMFORT LETTER FROM HORWATH HONG KONG CPA LIMITED

Set out below is the text of the comfort letter on the unaudited pro forma financial information on the Remaining Group received from Horwath Hong Kong CPA Limited for incorporation in this circular:

Horwath

Horwath Hong Kong CPA Limited
2001 Central Plaza
18 Harbour Road
Wanchai, Hong Kong
Telephone: (852) 2526 2191
Facsimile: (852) 2810 0502
horwath@horwath.com.hk
www.horwath.com.hk

17 March 2007

The Board of Directors
MEXAN LIMITED

Dear Sirs,

We report on the unaudited pro forma financial information of MEXAN LIMITED (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 195 to 202 under the heading of "Pro Forma Financial Information on the Remaining Group" (the "Unaudited Pro Forma Financial Information") in Appendix IV to the Company's circular (the "Circular") dated 17 March 2007, in connection with the proposal in respect of the Group Reorganisation, the Special Cash Dividend, the Termination Deed and the Deed of Novation (as defined in the Circular) (the "Proposal Plan"). The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the Proposal Plan might have affected the relevant financial information of the Group.

RESPONSIBILITIES

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information 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 Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by the Listing Rules, on the Unaudited Pro Forma Financial Information 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 beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

BASIS OF OPINION

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by HKICPA. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial formation with the source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company.

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 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 as disclosed pursuant to rule 4.29(1) of the Listing Rules.

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

— the financial position of the Group as at 30 September 2006 or any future date, or

— the results and cash flows of the Group for the year ended 31 March 2006 or any future periods.

OPINION

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

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

Yours faithfully,
For and on behalf of
Horwath Hong Kong CPA Limited
Certified Public Accountants
Hong Kong

Chan Kam Wing, Clement
Director
Practicing Certificate number P02038

COMFORT LETTER FROM HERCULES CAPITAL LIMITED

Set out below is the text of the comfort letter on the unaudited pro forma consolidated income statement of the Remaining Group received from Hercules for incorporation in this circular:

Hercules
Hercules Capital Limited

The Board of Directors
MEXAN LIMITED
16th Floor, Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

17 March 2007

Dear Sirs,

We refer to the unaudited financial information of MEXAN LIMITED (the "**Company**") and its subsidiaries as set out in the section headed "2. Unaudited pro forma consolidated income statement of the Remaining Group for the year ended 31 March 2006" ("**Unaudited Financial Information**") contained in Appendix IV to this circular dated 17 March 2007 to the Shareholders (the "**Circular**"), of which this letter forms part. Terms used in this letter have the same meanings as defined elsewhere in the Circular unless the context otherwise requires.

We have discussed with management of the Company the bases and assumptions adopted in the preparation of the Unaudited Financial Information. We have also considered the letter dated 17 March 2007 addressed to you from Horwath Hong Kong CPA Limited, the reporting accountants of the Company, in relation to their review of the accounting policies and calculations upon which the Unaudited Financial Information has been prepared.

Based on the foregoing, we are of the opinion that the Unaudited Financial Information, for which you as the directors of the Company are solely responsible, has been prepared after due and careful consideration.

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

PRO FORMA ASSETS AND LIABILITIES STATEMENT OF THE INVENTIVE GROUP AS AT 30 SEPTEMBER 2006

The unaudited pro forma financial information of the Inventive Group has been prepared giving effect to the proposal in respect of the Group Reorganisation, the Special Cash Dividend, the Termination Deed and the Deed of Novation (as defined in the Circular) (the "Proposal Plan").

The unaudited pro forma assets and liabilities statement of the Inventive Group is based upon the combined balance sheet of the Inventive Group as at 30 September 2006, which has been extracted from the accountants' report on the Inventive Group for the three years ended 31 March 2006 and the six months ended 30 September 2006, giving effect to the pro forma adjustments of the group reorganization that are (i) directly attributable to the transaction; and (ii) factually supportable, are summarized in the accompany notes.

The unaudited pro forma assets and liabilities statement of the Inventive Group was prepared for illustrative purposes only and because of its nature, it may not give a true picture of the financial position of the Inventive Group following completion of the Proposal Plan or at any future date.

	Inventive Group as at 30 September 2006	**Pro forma adjustments**		**Pro forma Inventive Group**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	
Non-current assets				
Property, plant and equipment	41,561			41,561
Investment property	16,500			16,500
Intangible assets	1,781,694			1,781,694
Goodwill	269,293			269,293
Amount due from a related company	255,681			255,681
	2,364,729			2,364,729
Current assets				
Trade and other receivables, deposits and prepayments	152,661			152,661
Amount due from a related company	12,321			12,321
Cash at banks and in hand	14,408			14,408
	179,390			179,390

	Inventive Group as at 30 September 2006	Pro forma adjustments		Pro forma Inventive Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	
Current liabilities				
Other payables, deposits received and accrued charges	26,408			26,408
Amounts due to related companies	24,887			24,887
Current portion of obligations under finance lease	232			232
Current portion of bank loans	4,078			4,078
	55,605			55,605
Net current assets	123,785			123,785
Total assets less current liabilities	2,488,514			2,488,514
Equity				
Share capital	—		131,092	131,092
Reserves	(51,659)	51,659	760,888	760,888
	(51,659)			891,980
Non-current liabilities				
Bank loans	1,596,534			1,596,534
Amount due to holding company	943,639	(51,659)	(891,980)	—
	2,540,173			1,596,534
	2,488,514			2,488,514

Notes:

1. The amounts have been extracted without adjustment from the accountants' report on the Inventive Group as set out in Appendix III to this circular.

2. The adjustment reflects the transfer of intragroup balances in which the intragroup amount due to Mexan Limited (the "Company") by members of the Inventive Group will be assigned to Inventive after taking into account the waiver of HK$51,659,000 by the Company upon completion of the Proposal, deemed had been completed on 30 September 2006.

3. The adjustment represents the capitalization of the remaining intragroup balances owed by Inventive to the Company by issuance of shares in Inventive, upon completion of the Proposal. Excesses of the remaining intragroup balances over the nominal value of shares are credited to share premium.

COMFORT LETTER FROM HORWATH HONG KONG CPA LIMITED

Set out below is the text of the comfort letter on the unaudited pro forma assets and liabilities statement of the Inventive Group received from Horwath Hong Kong CPA Limited for incorporation in this circular:

Horwath

Horwath Hong Kong CPA Limited
2001 Central Plaza
18 Harbour Road
Wanchai, Hong Kong
Telephone : (852) 2526 2191
Facsimile : (852) 2810 0502
horwath@horwath.com.hk
www.horwath.com.hk

17 March 2007

The Board of Directors
MEXAN LIMITED

Dear Sirs,

We report on the unaudited pro forma assets and liabilities statement of Inventive Limited ("Inventive") and its subsidiaries (hereinafter collectively referred to as the "Inventive Group") set out on pages 206 to 207 under the heading of "Pro Forma Financial Information on the Inventive Group" (the "Unaudited Pro Forma Assets and Liabilities Statement") in Appendix V to the Company's circular (the "Circular") dated 17 March 2007, in connection with the proposal in respect of the Group Reorganisation, the Special Cash Dividend, the Termination Deed and the Deed of Novation (as defined in the Circular) (the "Proposal Plan"). The Unaudited Pro Forma Assets and Liabilities Statement has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the Proposal Plan might have affected the assets and liabilities of the Inventive Group as if the Proposal has taken place on 30 September 2006.

Responsibilities

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Assets and Liabilities Statement 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 Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by the Listing Rules, on the Unaudited Pro Forma Assets and Liabilities Statement and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Assets and Liabilities Statements beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by HKICPA. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial formation with the source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Assets and Liabilities Statement with the directors of the Company.

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 Assets and Liabilities Statement has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Assets and Liabilities Statement as disclosed pursuant to rule 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Assets and Liabilities Statement is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and because of its hypothetical nature, it 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 Inventive Group as at 30 September 2006 or any future date.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Assets and Liabilities Statement has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Inventive Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Assets and Liabilities Statement as disclosed pursuant to Rule 4.29(1) of the Listing Rules.

Yours faithfully,
For and on behalf of
Horwath Hong Kong CPA Limited
Certified Public Accountants
Hong Kong

Chan Kam Wing, Clement
Director
Practicing Certificate number P02038

Set out below is the text of the valuation report on Beilun Company as of the date of valuation 31 January 2007 received from BMI Appraisals Limited for incorporation in this circular:

BMI APPRAISALS

BMI Appraisals Limited 中和邦盟評估有限公司

Suite 11-18, 31/F., Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong
香港灣仔港灣道6-8號瑞安中心3111-18室
Tel電話：(852) 2802 2191 Fax傳真：(852) 2802 0863
Email電郵：info@bmintelligence.com Website網址：www.bmintelligence.com

17 March 2007

The Directors
MEXAN LIMITED
16th Floor
Bank of East Asia Harbour View Centre
55 Gloucester Road
Wanchai
Hong Kong

Dear Sirs

INSTRUCTIONS

We refer to the instructions from MEXAN LIMITED (hereinafter referred to as the "Company") for us to provide our opinion on the market value of the 100 per cent equity interest in Ningbo Beilun Port Expressway Company Limited (hereinafter referred to as "Beilun Company") as at 31 January 2007 (the "date of valuation").

This report describes the company background of Beilun Company, identifies the business appraised, describes the basis of valuation and assumptions, explains the valuation methodology utilized and presents our conclusion of value.

PURPOSE OF VALUATION

We understand that the purpose of our valuation is to express an independent opinion on the market value of Beilun Company as at 31 January 2007 for your public documentation purposes only.

BASIS OF VALUATION

Our valuation was carried out on the basis of market value. Market value is defined as *"the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion"*.

Our valuation was prepared in accordance with the HKIS Valuation Standards on Trade-related Business Assets and Business Enterprises (First Edition 2004) published by the Hong Kong Institute of Surveyors (the "Standards") which are valuation standards generally accepted and followed by professional practitioners in Hong Kong. The Standards contain detailed guidelines on the basis and valuation approaches in valuing assets used in the operation of a trade or business and business enterprises.

COMPANY BACKGROUND

Beilun Company was established on 25 July 2002 in the People's Republic of China (the "PRC").

A concession right has been granted to Beilun Company from Ningbo City People's Government (the "Ningbo government") to operate and collect tolls from the Ningbo Beilun Port Expressway (hereinafter referred to as the "Toll Road") for a period of not less than 25 years from 1 January 2003.

THE TOLL ROAD

The Toll Road is divided into two sections. The main section running between Ningbo and Beilun Port, is approximately 40.00 km in length and from Ningbo to Jiangshan approximately 11.00 km in length. The Toll Road is built to a dual two-expressway standard with a restricted speed of 120 km per hour and was opened to traffic in December 1999.

Originating from the Beilun District of Ningbo at the east, the Toll Road forms the Ningbo section of the Tongsan National Highway. It extends to the west and intersects with the Ningbo end of the Hangzhou-Ningbo Expressway and the future Ningbo-Jinhua (Yongjin) Expressway, at which it turns southwards and extends to connect with the Ningbo-Taizhou-Wenzhou Expressway. The Toll Road is an important route that connects Beilun Port, a major natural deep water port in China, to the prosperous regions in Zhejiang including Hangzhou, Wenzhou and Taizhou.

SOURCE OF INFORMATION AND SCOPE OF WORKS

For the purpose of the valuation, we were furnished with the financial and the operational data of Beilun Company, which was given by the senior management of the Company and Beilun Company.

Those information we have obtained including, but not limited to, the following:

- Company background and future development of Beilun Company;
- Management accounts and audited financial statements of Beilun Company;
- Cash flow projection of 20 years from the management of Beilun Company;
- Traffic forecast report from Mannings (Asia) Consultants Limited ("Mannings"); and
- Other market and operational information affecting the business of Beilun Company.

The factors considered in the valuation included, but were not limited to, the following:

- The business nature of Beilun Company;
- The financial and operational information of Beilun Company;
- The terms and conditions of the contracts and the agreements in relation to the business of Beilun Company.
- The specific economic environment and competition for the market in which Beilun Company operates;
- Market-derived investment returns of entities engaged in similar lines of business; and
- The financial and business risks of Beilun Company.

In the course of this valuation, we have discussed with the senior management of the Company and Beilun Company regarding the history, operations and future development of Beilun Company. We have also reviewed the management accounts, audited financial statements, cash flow projection, traffic forecast report and other relevant documents that were furnished to us by the senior management of the Company and Beilun Company.

VALUATION ASSUMPTIONS AND CONSIDERATIONS

Due to the changing environment in which Beilun Company is operating, a number of assumptions had to be established in order to sufficiently support our concluded opinion of the value of Beilun Company. The major assumptions and considerations adopted in our valuation were:

1) There will be no major changes in the existing political, legal, and economic conditions in the PRC;

2) There will be no major changes in the current taxation laws in the PRC and that all applicable laws and regulations will be complied with;

3) Availability of capital and sources of funding will not be a constraint to the business operation of Beilun Company;

4) The loan interest rate adopted in our valuation was approximately 6.5%. Having considered the historical decrease in loan interest rate in the PRC, we consider that it was prudent to assume the interest rate will not differ materially from the prevailing interest rate;

5) Loan repayment will be made according to the loan repayment schedule as contained in the loan agreement provided by the senior management of Beilun Company in the cash flow projection;

6) There will be no change in the operating environment for the Toll Road;

7) Subsequent increment in the toll charges as provided by the senior management of Beilun Company in the cash flow projection will be approved by the government or related authorities;

8) The toll road cash receipt was calculated according to the pcu forecast of the traffic forecast report which states that the traffic volume can reach 48,248 pcu/day by 2007 and saturate at 85,000 pcu/day by 2027;

9) The traffic volume growth will not deviate significantly from the growth forecasted in the traffic forecast report and no natural disaster is expected to occur that will have significant impact on the economy and the traffic volume in Ningbo;

10) The toll road right will last at least 20 years until 31 December 2027;

11) Economic conditions of the PRC will not deviate significantly from economic forecasts;

12) All money amounts stated herein are in Hong Kong Dollars (HK$) and no allowance has been made for any exchange transfers. The exchange rate adopted is the average rate as at 31 January 2007 being HK$1=RMB0.9957. There has been no significant fluctuation in the exchange rate in the future; and

13) Exchange rates will not differ materially from those presently prevailing.

The traffic forecast review study was undertaken by an experienced civil engineer who is specialized in highways and transportation study. The review study was conducted to evaluate the reliability of the previous traffic forecast study on the tolled expressway in 2004 and subsequent review study in 2005. Mannings had conducted a 24-hours traffic flow survey to determine the vehicle composition traveling along the tolled expressway. In the traffic forecast model, various factors such as economic growth rate in the Zhejiang Province, percentage of heavy goods vehicles, toll charge rates, condition of carriageway, drivers' behaviors, etc. that will affect the traffic growth were taken into consideration. Based on the review results, the original traffic forecast model was updated using the actual traffic flow figures in 2006 as a base and incorporated the effect of toll charge introduced to the container trucks was incorporated.

VALUATION METHODOLOGY

Three generally accepted valuation methodologies have been considered in valuing the 100 per cent equity interest of Beilun Company. They were the market approach, the cost approach and the income approach.

Regarding the cost approach, we considered that it could not reflect the market value of Beilun Company as this approach does not take into account the future growth potential of Beilun Company.

Due to the inherent and unique characteristics of the Toll Road, market transactions of toll road projects at different locations can vary significantly due to various physical, market and economic factors. Therefore, we considered that the market approach was also not appropriate to value Beilun Company.

In view of the above, we considered that the income approach by way of discounted cash flow method was the most appropriate method in determining the value of Beilun Company because it was able to capture future growth potential which is specific to the Toll Road held by Beilun Company.

We considered that the income approach is the most appropriate valuation approach for valuing Beilun Company. In valuing the 100 per cent equity interest in Beilun Company, we applied the income approach also known as discounted cash flow method. We determined the future economic benefits of Beilun Company by using the discounted value of the future cash flows which were furnished by the senior management of Beilun Company in the forecast period (from 1 January 2007 to 31 December 2027).

When determining the discount rate to apply to the future economic income streams attributable to the shareholders, the discount rate is the cost of equity. The cost of equity was determined by using the Capital Asset Pricing Model ("CAPM"). CAPM states that an investor requires excess returns to compensate systematic risks and provides no excess return for other risks. Risks that are correlated with the return from the stock market are referred to as systematic; other risks are referred to as nonsystematic. Under CAPM, the appropriate rate of return required by investors to compensate for the systematic risk assumed is the sum of the risk-free return and the product of the beta and equity risk premium. In addition, the rate of return of Beilun Company is affected by other firm specific risk factors that are independent of the general market. The discount rate stated at approximately 13.22% was determined by reference to a risk-free rate of approximately 3.06% (10 Years China government bond interest rate), market return and estimated beta of Beilun Company and firm specific risk factors.

Four factors used in determining the discount rate include risk-free rate, market premium, estimated beta and firm specific risks. The risk-free rate adopted is the 10 years China government bond yield of approximately 3.06%; whereas the market premium is defined to be the difference between the average return on stocks and the average return on risk-free security in the measurement period. The estimated beta of approximately 0.75 for Beilun Company was derived from average betas of the various public listed toll road companies in Hong Kong including Sichuan Expressway Company Limited, Jiangsu Expressway Company Limited, Shenzhen Expressway Company Limited, Zhejiang Expressway Company Limited, Hopewell Highway Infrastructure Limited, Anhui Expressway Company Limited, GZI Transport Limited and Road King Infrastructure Limited. The firm specific risk factors mainly comprise liquidity and operation constraints due to quality issue of Beilun Company.

REMARKS

We have assumed that the information obtained from the senior management of Beilun Company including the financial and operation information is true and accurate for which we are unable to accept any responsibilities.

We have had no reason to doubt the truth and accuracy of the information provided to us by Beilun Company. We also sought and received confirmation from Beilun Company that no material facts have been omitted from the information supplied.

SENSITIVITY ANALYSIS

A sensitivity analysis based on various discount rates has been performed and is set out as follows:

DCF Valuation Discount rate	100% interest In RMB million	100% interest In HK$ million
12.22%	905	909
12.72%	864	868
13.22%	**826**	**830**
13.72%	790	794
14.22%	757	760

CONCLUSION OF VALUE

Our conclusion of value is based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of a lot of uncertainties, not all of which can be easily ascertained or quantified.

Further, whilst the assumptions and consideration of such matters are considered by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies such as stock market crash, political unrest and natural disasters, many of which are beyond the control of the Company, Beilun Company or us.

Based on our investigation and analysis outlined in this letter, with reference to the discount rate of 13.22% derived from the CAPM, it is our opinion that the market value of the 100 per cent equity interest in Beilun Company as at 31 January 2007 is **HK$830,000,000 (Hong Kong Dollars Eight Hundred and Thirty Million) Only.**

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

Yours faithfully
For and on behalf of
BMI APPRAISALS LIMITED

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

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

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

Notes:

1. *Mr. Marco Sze holds a Master's Degree of Business Administration in Accountancy from the City University of New York - Baruch College, the US, and is a holder of Chartered Financial Analyst. He has about 3 years' experience in valuing businesses and over 2 years' experience in valuing toll roads in Hong Kong, China and the Asia-Pacific Region.*

2. *Dr. Tony Cheng is a member of the Hong Kong Institute of Surveyors, a member of the American Society of Civil Engineers, a member of the American Society of Mechanical Engineers and a member of Institute of Industrial Engineers (U.K.). He has over 11 years' experience in valuing businesses and over 6 years' experience in valuing toll roads worldwide.*

3. *Mr. Lowell Lo is a practicing member of the Hong Kong Institute of Certified Public Accountants, a member of the American Institute of Certified Public Accountants. He has over 5 years' experience in valuing businesses and over 4 years' experience in valuing toll roads in Hong Kong, Macao, China and various locations in the Asia-Pacific Region.*

COMFORT LETTER FROM HORWATH HONG KONG CPA LIMITED

Set out below is the text of the comfort letter on the cash projection of Beilun Company which forms part of the basis of valuation thereof performed by BMI Appraisals Limited received from Horwath Hong Kong CPA Limited for incorporation in this circular:

Horwath

Horwath Hong Kong CPA Limited
2001 Central Plaza
18 Harbour Road
Wanchai, Hong Kong
Telephone: (852) 2526 2191
Facsimile: (852) 2810 0502
horwath@horwath.com.hk
www.horwath.com.hk

PRIVATE AND CONFIDENTIAL

Our ref : CC/MN/11807/90-73/c

The Directors
MEXAN LIMITED
16/F., Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

17 March 2007

Dear Sirs

We refer to the valuation dated 17 March 2007 prepared by BMI Appraisals Limited (the "Valuer") in respect of the 100% equity interest in Ningbo Beilun Port Expressway Company Limited (the "Valuation") set out in Appendix VI of the circular of MEXAN LIMITED (the "Company") dated 17 March 2007 (the "Circular").

The Valuation including the bases and assumptions, as set out in the valuation report on pages 210 to 215 of the Circular, for which the directors of the Company and the Valuer are solely responsible, has been prepared based on the cash flow projection of Beilun Company for the period from 1 January 2007 to 31 December 2027 made by the directors of the Company (the "Projection"). The Projection, being a projection of future cash flows, does not involve the adoption of accounting policies and accordingly, there are no accounting policies for us to report on. The Projection has been prepared using a set of assumptions that include hypothetical assumptions about future events and other assumptions that may or may not necessarily be expected to occur. Consequently, readers are cautioned that the Projection may not be appropriate for purposes other than for deriving the Valuation of Beilun Company as at 31 January 2007. Even if the events anticipated under the hypothetical assumptions occur, actual results are still likely to be different from the Projection since the other anticipated events frequently may or may not occur as expected and the valuation may be material.

We conducted our work in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance engagements other than audits or reviews of historical financial information" with reference to the procedures under Auditing Guideline 3.341 "Accountants' report on profit forecasts" issued by the Hong Kong Institute of Certified Public Accountants. We examined the arithmetical accuracy of the Projection. Our work has been undertaken solely to assist the directors of the Company in evaluating whether the Projection, so far as the calculations are concerned, have been properly complied in accordance with the bases and assumptions made by the directors of the Company and adopted by the Valuer. Our work does not constitute any valuation of Ningbo Beilun Port Expressway Company Limited ("Beilun Company").

As set out in the paragraph headed "Valuation Assumptions and Considerations" on pages 212 to 213 of the Circular, the Projection has been prepared based on a number of assumptions in respect of which we have the reservations:

1. The Valuations are prepared on the assumptions that the external environment in which the toll road industry in the People's Republic of China ("PRC") will operate over a period of 21 years up to 31 December 2027 will not change as set out in Points 1, 2, 11 and 13 of the assumptions. Given the inherent uncertainties of the future economic development in the PRC and the potential impact of change in government's policy on the toll road industry, we were unable to obtain sufficient appropriate evidence to evaluate or express any opinion on the appropriateness of the assumptions made.

2. The Valuations are prepared on the assumptions that the cash flow model adopted by Beilun Company in its operation of the toll road in the PRC will continue to be applicable without modification over a period of 21 years up to 31 December 2027 as set out in Points 3, 4, 5, 6, 7, and 9 of the assumptions. Given the limited operational history of Beilun Company, the potential impact of the expected economic development in Ningbo region, the PRC on the demand for expressway and the potential impact of the government's policy on toll charges, we were unable to obtain sufficient appropriate evidence to evaluate or express any opinion on the appropriateness of the assumptions made.

Because of the significance of the matters discussed above, we are unable to evaluate the appropriateness of the above assumptions used in arriving at the Projection.

Based on the work we have performed, in our opinion, the Projection, so far as the calculations are concerned, has been properly compiled in accordance with the bases and assumptions made by the directors of the Company and adopted by the Valuer as set out in the valuation report of Beilun Company in Appendix VI to the Circular.

Our work in connection with the Projection has been undertaken solely for the purpose of reporting our opinion to you and for no other purpose. We accept responsibility solely to the directors of the Company. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

Yours faithfully,
For and on behalf of
Horwath Hong Kong CPA Limited
Certified Public Accountants
Hong Kong

Chan Kam Wing, Clement
Director
Practising Certificate number P02038

COMFORT LETTER FROM HERCULES CAPITAL LIMITED

Set out below is the text of the comfort letter on the cash projection of Beilun Company which forms part of the basis of valuation thereof performed by BMI Appraisals Limited received from Hercules for incorporation in this circular:

Hercules

Hercules Capital Limited

The Board of Directors
MEXAN LIMITED
16th Floor, Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

17 March 2007

Dear Sirs,

We refer to the valuation dated 17 March 2007 prepared by BMI Appraisals Limited (the "**Valuer**") in relation to the appraisal of the market value (the "**Valuation**") of 100% equity interest in Ningbo Beilun Port Expressway Company Limited ("**Beilun Company**") as at 31 January 2007 contained in Appendix VI to this circular dated 17 March 2007 to the Shareholders (the "**Circular**"), of which this letter forms part. Terms used in this letter have the same meanings as defined elsewhere in the Circular unless the context otherwise requires.

We are satisfied that Mr. Marco T.C. Sze, Dr. Tony Cheng and Mr. Lowell W.W. Lo are qualified as valuers to Beilun Company on the basis of their past experiences on valuing toll roads in the PRC, and that the assumptions made by the Valuer in valuing Beilun Company are in compliance with the principles set out in Notes to Rule 10.2 of the Takeovers Code.

As stated in the valuation report, the Valuation has been arrived at based on the income approach, which is based on the cash flow projection of Beilun Company for the period from 1 January 2007 to 31 December 2027 prepared by the directors of the Company (the "**Projection**").

We have discussed with management of the Company the bases and assumptions adopted in the preparation of the Projection. We have also considered the letter dated 17 March 2007 addressed to you from Horwath Hong Kong CPA Limited, the reporting accountants of the Company, in relation to their review of the calculations and bases and assumptions upon which the Projection has been prepared.

Based on the foregoing, we are of the opinion that the Projection, for which you as the directors of the Company are solely responsible, has been prepared after due and careful consideration.

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

Set out below is the text of the traffic forecast report on Ningbo Beilun Port Expressway received from Mannings (Asia) Consultants Ltd. for incorporation in this circular:

17 March 2007

MEXAN LIMITED
16/F, Bank of East Asia
Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

Our Ref: A1034_Mexan_B00505

Dear Sirs

Ningbo Beilun Port Expressway
Traffic Forecast Review Study

Mannings (Asia) Consultants Ltd. (the "Consultant") was appointed by MEXAN LIMITED (the "Company") to carry out an independent traffic forecast review for the Ningbo Beilun Port Expressway.

All reasonable and professional skill, care and due diligence has been exercised in preparing in Traffic Forecast Review Study Report. A summary of the findings of this report is set out below:

1.0 INTRODUCTION

1.1 Introduction

There were two independent traffic forecast studies (the "Expressway) commissioned by MEXAN LIMITED (the "Company") for the Ningbo Beilun Port Expressway that links between Ningbo, Jiangshan and Beilun Port in the People's Republic of China (the "PRC") in May 2004 and June 2005 respectively. Subsequently two separate traffic forecast reports were published.

In order to ensure the integrity of the traffic forecasting model and subsequent to provide the latest traffic forecasting figures for the Expressway, the Consultant was appointed in November 2006 by the Company to carry out an independent traffic forecast review for the Ningbo Beilun Port Expressway.

The Expressway was built to an elevated dual two expressway standard with a design speed of 120 km per hour. There are three exits and entrances along the Expressway, namely: Beilun Port, Ningbo East, and Jiangshan. The toll system for the Expressway is a closed system with fixed toll rates for different vehicle categories.

There were changes in terms of toll rates particular for the container and other factors among the previous traffic forecast study and that of the 2006 traffic forecast review study, which had affected the results of the traffic forecast.

This report will look into the abovementioned factors and summarize their overall impacts so as to prepare independent forecasts of traffic volume for the Expressway. In order to assist the Company to undertake more reliable future revenue forecast during the franchising period, all reasonable and professional skill, care and diligence have been exercised in the compilation of this report.

1.2 Study Objectives

The objectives and scope of the consultancy services were as follows:

- Gathering most updated traffic data on the Expressway and the nearby road network. The current economic and traffic situations together with the future development plan for Ningbo is to be collected.

- Conducting traffic surveys to establish the most recent traffic conditions.

- Reviewing the existing traffic conditions and compare with the forecasted figures from the previous traffic forecast study.

- Identifying any factors that may affect the reliability of the traffic forecast and evaluate the effects on the forecasted figures.

- Preparing the adjusted traffic forecasts for years 2010, 2015, 2020, 2025 and 2027 for the Expressway.

- Preparing the ‘best estimate’ of annual traffic forecasts from 2006 to 2027 for the Expressway. The forecasts of traffic volumes for intermediate years will be derived by interpolation.

It should be emphasized that the Scope of Works does not cover the technical audit of the design standard, construction specifications and quality of the completed works for the Expressway. Therefore, it has been assumed that the current construction has been designed and constructed to the appropriate National Standard, which are acceptable by the approving authorities.

Again, all reasonable and professional skill, care and diligence have been exercised in preparing the report on the work carried out and on the results.

2.0 TRAFFIC AND TRANSPORT PERSPECTIVE

2.1 The Toll Structure

The Ningbo Beilun Port Expressway is charged on fixed toll rates. The existing toll structure operating on the Expressway is presented in Table 2.1.

Table 2.1 Toll Structure on the Ningbo Beilun Port Expressway

Category	Vehicle Type	Definition	Per Vehicle *RMB*	Per Km *RMB*
1	Small Private Vehicle & Small Goods Vehicle	≤ 20 seats ≤ 2 tonnes	5	0.4
2	Medium Private Vehicle & Medium Goods Vehicle	> 20 but ≤ 40 seats > 2 tonnes but ≤ 5 tonnes	10	0.8
3	Large Private Vehicle & Large Goods Vehicle	> 40 seats > 5 tonnes but ≤ 10 tonnes	15	1.2
4	Very Large Goods Vehicle	> 10 tonnes but ≤ 15 tonnes	15	1.4
5	Special Large Goods Vehicle 1	> 15 tonnes but ≤ 60 tonnes	20	1.6
6	Special Large Goods Vehicle 2	20Ft Container	15 x 70% x 50%	1.2 x Distance x 70% x 50%
7	Special Large Goods Vehicle 3	40Ft Container	20 x 70% x 50%	1.6 x Distance x 70% x 50%

2.2 Historical Traffic Growth

Historical Annual Average Daily Traffic (AADT) on the Expressway between 1999 and 2006 were collected for the study area. The data were recorded for one 24-hour period among the Expressway toll plazas.

The historical AADT traffic volume derived by amalgamating the traffic counts collected from the toll plazas were given in Table 2.2.

Table 2.2 Historical Annual Average Daily Traffic (AADT) — Two Way

Year	AADT(Vehicles)
1999	1,220
2000	3,926
2001	5,373
2002	12,510
2003	17,956
2004	22,614
2005	23,588
2006	27,815

2.3 Existing Traffic Situation

Traffic surveys were carried out in 22 November 2006 to examine the vehicle composition on the Ningbo Beilun Port Expressway. The surveys took the form of manual classified count at three toll plazas using the toll categories as shown in Table 2.3.

The annual average daily traffic volume on the Ningbo Beilun Port Expressway for future traffic forecasts were based on the survey result on each toll stations. These recorded vehicle composition and classified traffic data based on the toll categories are summarised in Table 2.3.

Table 2.3 Vehicle Composition

Category	Vehicle Type	Definition	Locations		
			Ningbo	Beilun Port	Jiangshan
1	Small Private Vehicle & Small Goods Vehicle	≤ 20 seats ≤ 2 tonnes	75.1	66.9	69.2
2	Medium Private Vehicle & Medium Goods Vehicle	> 20 but ≤ 40 seats > 2 tonnes but ≤ 5 tonnes	3.9	4.8	8.1
3	Large Private Vehicle & Large Goods Vehicle	> 40 seats > 5 tonnes but ≤ 10 tonnes	2.8	3.7	6.8
4	Very Large Goods Vehicle	> 10 tonnes but ≤ 15 tonnes	0.3	0.5	3.0
5	Special Large Goods Vehicle 1	> 15 tonnes but ≤ 60 tonnes	7.2	6.4	12.9
6	Special Large Goods Vehicle 2	20Ft Container	0.4	0.2	—
7	Special Large Goods Vehicle 3	40Ft Container	10.3	17.5	—
Total			100%	100%	100%

3.0 MODEL VALIDATION

3.1 Observed Traffic Volume in 2006

In order to determine the goodness of fit of the model developed previously, the modelled traffic flow for 2006 has been compared to the observed traffic volume for the year 2006 on the Expressway that is currently available and they were provided from the toll stations.

All goods vehicles and all passenger vehicles were aggregated into a single user class for the purpose of traffic modelling. Therefore it was necessary to convert the observed flows into a single user class for the purpose of validation.

The modelled and observed counts for 2006 are summarised in Table 3.1 together with the percentage differences.

Table 3.1 Comparison of 2006 Observed and Modelled Flows

	2006		
	Modelled	**Observed**	**Modelled/ Observed**
Beilun Port	19,526	17,606	1.109
Ningbo East	20,405	19,099	1.068
Jiangshan	8,431	7,167	1.176
Total	48,362	43,872	1.102

From Table 3.1, it can be seen that the modeled flow is around 10.2% above the observed flows. This discrepancy is mainly due to the introduction of toll charges on container trucks in 2005. The recovery rate of container trucks on the tolled expressway was not as good as that modeled. Otherwise, the model is considered to be satisfactory for the purpose of this study. Therefore, the traffic forecasting model would be updated using 2006 traffic figures as the base year.

3.2 Traffic Forecasts

Road Surface Improvement

Furthermore, information provided by the management has also shown that there was a highway improvement scheme commenced in October 2004 and completed in February 2005. The scheme was mainly to upgrade the road surface condition of the Expressway in order to improve the riding comfort, speed and road safety for the motorists. Such improvement would surely improve the capacity of the Expressway.

Other Factors Affecting Traffic Forecast Results

In addition to the road improvement scheme that was undertaken in October 2004, there are also other factors that would affect the traffic forecast results, which had been observed during the traffic survey and from other sources. Because of these factors, the parameters in the traffic forecasting model would require adjustment. These factors can be summarized below.

3.2.1 Change of Toll Fee Structure

The toll fee structures for Categories 4 and 5 vehicles were changed in April 2005. It is observed that there was a slight reduction in toll revenue for these two categories of vehicle. The figures shown in Table 2.1 above have taken this factor into consideration.

3.2.2 Commencement on Charges to Container Trucks

A new toll was introduced for container vehicles on 15 April 2005. The initial impact of such new toll introduction was expected. Many of the container vehicles would first leave the Expressway and join the local roads instead. As soon as the time-cost factor became intolerable by the motorists or the local road network to the port reaches its capacity, container vehicles would return to the Expressway. Again, the consequences can be reflected in the monthly revenue report from the toll station. Similarly, the figures shown in Table 2.1 above have reflected the most updated toll structure.

3.2.3 Economic Growth

Economic factors such as the Gross Domestic Product (GDP) in Zhejiang Province were higher than predicted. Despite the Central Government having imposed a stringent monetary policy to damp down the overhead economy, Ningbo managed to enjoy healthy and steady growth of the economy. The Beilun Port operator managed to attract overseas investor so participate in Beilun Port operation.

As the past and current trends in the area are very close to our traffic forecast model, it is considered that the traffic growth elasticities for future years established in the original traffic forecast model could still be adopted. The estimated future GDP growth rates, traffic growth elasticities, and the annual traffic growth rate are presented in Table 3.2.

Table 3.2 Forecast Traffic Growth Rates in the Study Area

Year	Estimated GDP Growth Rates	Traffic Growth Elasticity	Annual Traffic Growth Rate
2007-2010	10.5%	0.95	10.0%
2011-2020	8.00%	0.75	6.00%
2021-2027	6.00%	0.50	3.00%

3.2.4 Increase in Road Capacity

From the site visit in July 2005 after the road improvement scheme was completed in February 2005, the riding comfort, speed and safety on the Expressway were substantially improved when compared to May 2004. The road improvement scheme upgraded the standard of the Expressway hence the speed and the riding comfort. Therefore, it is in necessary to revise the road capacity of the Expressway in order to reflect the road conditions. As a result, a road capacity of 85,000pcu/day has been adopted in the revised traffic forecast model in 2005.

Based on the visit in November 2006, the road conditions started to deteriorate and maintenance works were observed at various locations. However, the overall driving comfort could still be achieved. Therefore, road capacity of 85,000pcu/day will still be valid for the most updated traffic forecast model. The following tables (Table 3.3. and 3.4) are the summary of the results of the road capacity calculations for the updated traffic forecasts.

Table 3.3 Road Capacity of Expressway for Previous Traffic Forecast (2005)

Parameter	CB	V/C	FW	FP	PHV	fp	N	Directional Flow Factor	Capacity (pcu/day)
Ningbo East	2000	0.90	1.0	1	0.249	0.08	2	0.55	86,724
Beilun Port	2000	0.90	1.0	1	0.290	0.08	2	0.55	87,104
Jiangshan	1800	0.84	1.0	1	0.169	0.08	2	0.55	80,583

Table 3.4 Road Capacity of Expressway for Updated Traffic Forecast (2006)

Parameter	CB	V/C	FW	FP	PHV	fp	N	Directional Flow Factor	Capacity (pcu/day)
Ningbo East	2000	0.90	1.0	1	0.254	0.08	2	0.55	86,892
Beilun Port	2000	0.90	1.0	1	0.345	0.08	2	0.55	86,310
Jiangshan	1800	0.84	1.0	1	0.311	0.08	2	0.55	77,870

Estimation of Daily Capacity

Levels of service of highways are defined in the Highway Capacity Manual of the Transportation Research Board of the United States of America, which is commonly used in the PRC. Levels of service refer to the traffic flow conditions on roads and are used in the definition of highway capacity. For each level of service a different capacity may be defined, signifying the maximum capacity at which that given level of service may be maintained. The levels of service, from A to F are defined in Table 3.5.

Given that twenty-four hour modelling is performed, the capacity calculated for a specified level of service denotes the number of vehicles per day assuming that average traffic flow during the day is maintained at the specified level of service. This implies that during peak hours drivers tolerate a lower level of service, whilst during off peak hours traffic flow is generally maintained at a higher level of service. Moreover, the data collected are based on the number of vehicles travelling along Expressway. For easy comparison purposes, the figures are then converted to equivalent passenger car unit ("pcu") in the forecasting model. Pcu stands for

Passenger Car Unit, the equivalent traffic values of various types of vehicles in relation to passenger cars on the road. And the results of the traffic forecast are presented in pcu/day so that it can be compared with the capacity analysis.

Table 3.5 Level of Service Definitions

Level of Service	**Definition**
Level of Service A	Free traffic flow; drivers are not affected by other drivers and enjoy a high degree of freedom in the choice of travelling speeds and manoeuvres.
Level of Service B	Stable traffic flow; drivers maintain a relatively high degree of freedom in the choice of travelling speeds and manoeuvres whilst being required to be aware of other drivers.
Level of Service C	Stable traffic flow; although drivers are required to be more alert and are restricted in the choice of travelling speeds and manoeuvres.
Level of Service D	Dense but stable traffic flow; relatively greater restrictions on the choice of travelling speeds and manoeuvres.
Level of Service E	Generally unstable traffic flow; operations close to maximum capacity, travelling speeds significantly reduced and manoeuvres highly restricted.
Level of Service F	Operations beyond maximum capacity; congested traffic flow and periodic halts.

It has been assumed that level of service D is applicable to Expressway and that level of service E is applicable to the Old Road.

Based on available 2005 traffic data on peak hour flows and 24-hour daily flows collected, the peak hour factor is taken to be 0.08 with the directional flow factor estimated to be 0.55.

The formula for calculating the capacity is given as follows:

$$C_D = C_B \cdot \left(\frac{V}{C}\right) . N . F_W . F_P . F_{HV}$$

where,

C_D	Design capacity by direction (veh/hr)
C_B	Basic capacity, i.e. the maximum traffic flow of a carriageway in an hour under free flow condition, unit: passenger car unit/hour/lane (pcu/hr/lane).
V/C	The ratio of traffic flow to maximum capacity
N	Number of lanes in one direction. N is 2 for all sections.
F_P	Correction factor for drivers, taken to be 1 for all sections.
F_W	Correction factor for effect of road width and strip width on capacity, taken to be 1 for all sections
F_{HV}	Correction factor for the effect of large vehicles on capacity. The formula for Calculating FHV is given as follows:

$$F_{HV} = \frac{1}{1 + P_{HV}(E_{HV} - 1)}$$

P_{HV}	Proportion of large vehicles in the traffic flow
E_{HV}	Factor converting large vehicles to small passenger vehicles, taken to be 1.7 for all sections
C	Daily Capacity, given by the equation:

$$C = \frac{C_D}{f_P . f_D}$$

f_P	Peak Hour Factor
f_D	Directional Flow Factor

3.3 Review of Future Traffic Forecast

As illustrated in the review result of 2006 traffic flow volume, the traffic forecast has very closely predicted the traffic flow volume in 2006. However, changes on external factors that will affect the traffic forecast model have been identified in the above section. Therefore, the traffic forecast model would be re-run based on the 2006 actual traffic flow volume and latest traffic survey results with the adjusted parameters. The original and revised traffic forecasts after the review are presented below in Tables 3.6 and 3.7 and the traffic forecast in 2014 and 2016 are added for easy reference when the road capacity is reached.

Table 3.6 Previous Traffic Forecasts (2005) on the Expressway after Capacity Restraint
Forecast AADT Two Way Flows for the Expressway (pcu/day)

	2005*	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016-2027
Beilun Port	16,117	18,821	21,425	23,514	25,810	28,335	29,896	31,544	33,284	34,294	34,294	34,294
Ningbo East	17,355	20,405	22,383	24,557	26,948	29,576	31,202	32,918	34,730	35,817	35,817	35,817
Jiang Shan	7,139	8,431	9,268	10,188	11,200	12,313	13,001	13,726	14,493	14,889	14,889	14,889
Total	41,092	48,362	53,076	58,259	63,958	70,224	74,098	78,188	82,507	85,000	85,000	85,000

Note: * estimated figure for the year since part of the year's date had been collected

Table 3.7 Updated Traffic Forecasts (2006) on the Expressway after Capacity Restraint
Forecast AADT Two Way Flows for the Expressway (pcu/day)

	2005#	2006#	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016-2027
Beilun Port	14,815	17,606	19,362	21,236	23,296	25,561	26,961	28,440	30,002	31,651	33,391	34,067
Ningbo East	15,855	19,099	21,004	23,029	25,256	27,704	29,219	30,818	32,506	34,288	36,170	36,929
Jiang Shan	6,561	7,167	7,882	8,662	9,520	10,463	11,046	11,661	12,310	12,996	13,721	14,004
Total	37,231	43,872	48,248	52,927	58,072	63,728	67,226	70,919	74,818	78,935	83,282	85,000

Note: # Actual value and it is very much affected by the introduction of toll for the container trucks

4.0 CONCLUSION

Throughout the review study, the comparison between the modeled traffic flow and the observed traffic flow for 2006 were largely in line with the forecasting model. Again, this traffic review study has shown that the traffic forecasting model for the expressway has been successfully set up to predict the traffic flow in future years. As the observed traffic flow in 2006 are now available, it is therefore worthwhile to update the base year of the traffic forecast from to 2006, in order to maintain in traffic forecast with the latest available information readily for future analyses.

The changes during the past twelve months would affect the parameters used in the previous traffic forecasting model. As described in previous sections, the effects of these factors were evaluated and the changes to the parameters were adjusted and input into the traffic forecasting model. The most significant affecting factor was the introduction of tolls for container trucks. This reduced the estimated growth of container trucks and hence total growth in traffic flow volume for future years. However, the effect had been reflected in the updated traffic forecasting model.

The results of the updated traffic forecasting model have indicated that the overall annual growth of traffic flow volume would be slightly less but it does not vary significantly from the previous traffic forecast.

Nevertheless the updated traffic forecasting modeling carried out in 2005 was shown to be a successful one. The process of updating the traffic forecast model was to review any potential changes during the past months and subsequently undertaken the amendments to ensure that the forecasting results are based on the latest available information.

Yours faithfully
For and on behalf of Mannings (Asia) Consultants Ltd.

Mark Cheung
Project Director

KTC/NS/sc

Mr. Mark Cheung is a member of various Engineer Institutes and he has over 20 years of experience in civil engineering industry; particularly at highways engineering field. He has also been the Chairman of Institute of Highways and Transportation, Hong Kong Branch in 2002 - 2003. He was also the Project Director for the Traffic Forecast Study for Ningbo Beilun Port Expressway in 2004 and Yongjin Expressway in 2006.

Set out below is the text of the property valuation report on the Group as of the date of valuation 31 January 2007 received from BMI Appraisals Limited for incorporation in this circular:

BMI APPRAISALS

BMI Appraisals Limited 中和邦盟評估有限公司

Suite 11-18, 31/F., Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong
香港灣仔港灣道6-8號瑞安中心3111-18室
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17 March 2007

The Directors
MEXAN LIMITED
16th Floor
Bank of East Asia Harbour View Centre
No. 56 Gloucester Road
Wanchai
Hong Kong

Dear Sirs

INSTRUCTIONS

We refer to your instructions for us to value the properties of MEXAN LIMITED (the "Company") and its subsidiaries (together referred to as the "Group") located in Hong Kong. We confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the properties as at 31 January 2007 (the "date of valuation").

BASIS OF VALUATION

Our valuations of the properties have been based on the Market Value, which is defined as "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 METHODOLOGIES

We have valued the properties on an open market basis by the Comparison Approach assuming sale in its existing state with the benefit of vacant possession and by making reference to comparable sales evidence as available in the relevant market.

In valuing Property No.1, we have also considered the Profits Method based on capitalization of the historical hotel's operating profits in previous years. Allowances for outgoings have been made in arriving at the net operating profit.

TITLE INVESTIGATIONS

We have caused land searches at the Land Registry and in some instances we have been provided with extracts of title documents. However, we have neither examined the original documents to verify ownership nor to ascertain the existence of any amendments that do not appear on the copies handed to us. All documents have been used for reference only.

VALUATION ASSUMPTIONS

Our valuations have been made on the assumption that the properties can be sold in the open market without the benefit of deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement which could serve to affect the values of the properties. In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the properties and no forced sale situation in any manner is assumed in our valuations.

In the course of our valuations, we relied on the advice given by the Group that the Group has valid and enforceable titles to the properties which are freely transferable, and have free and uninterrupted right to use the same, for the whole of the unexpired term granted subject to the payment of annual Government rent/land use fees and all requisite land premium/purchase consideration payable have been fully settled.

We have valued the properties on the basis that each of them is considered individually. We have not allowed for any discount for the properties to be sold to a single party nor taken into account any effect on the values if the properties are to be offered for sale at the same time, as a portfolio.

VALUATION CONSIDERATIONS

We have inspected the exterior of the properties included within the attached valuation certificates. During the course of our inspections, we did not note any serious defects. However, no structural surveys have been conducted and we are therefore unable to report as to whether the properties are free from rot, infestation or other defects. No tests were carried out on any of the services.

In the course of our valuations, we have relied to a considerable extent on the information provided by the Group and have accepted advice on such matters as planning approvals, statutory notices, easements, tenures, completion dates of buildings, particulars of occupancy, floor areas and identification of the properties.

We have not carried out detailed on-site measurements to verify the correctness of the floor areas in respect of the properties but have assumed that the floor areas shown on the documents handed to us are correct. Dimensions, measurements and areas included in the valuation certificates are based on information contained in the documents provided to us by the Group and are therefore only approximations.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. The Group has also advised us that no material facts have been omitted from the information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties valued nor for any expenses or taxation which may be incurred in effecting a sale.

Based on the prevailing rules and regulations as at the Latest Practicable Date and as advised by the Group, we confirm that the properties located in Hong Kong are free from potential tax liability assuming disposals as at the Latest Practicable Date.

Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

Our valuations have been prepared in accordance with the HKIS Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors.

Our valuations have been prepared under the generally accepted valuation procedures and are in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

REMARKS

Unless otherwise stated, all money amounts stated are in Hong Kong Dollars (HK$).

Our Summary of Values and the Valuation Certificates are enclosed herewith.

Yours faithfully
For and on behalf of
BMI APPRAISALS LIMITED
Joannau W.F. Chan
BSc. MSc. MRICS MHKIS RPS(GP)
Director

Note: Ms. Joannau W.F. Chan is a Chartered Surveyor who has over 14 years' experience in valuations of properties in Hong Kong and over 8 years' experience in valuations of properties in the People's Republic of China and the Asia-Pacific region.

SUMMARY OF VALUES

No.	Property	Market Value in existing state as at 31 January 2007 *HK$*
1.	Hotel 2, Rambler Crest, No. 1 Tsing Yi Road, Tsing Yi, New Territories, Hong Kong (within Tsing Yi Town Lot No. 140)	680,000,000
2.	Flat C, 5th Floor and Car Parking Space No. 14 on Ground Floor of Tower II, South Bay Palace, No. 25 South Bay Close, Hong Kong	16,500,000
	Total:	696,500,000

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state state as at 31 January 2007 *HK$*
1.	Hotel 2, Rambler Crest, No. 1 Tsing Yi Road, Tsing Yi, New Territories, Hong Kong (within Tsing Yi Town Lot No. 140) 19,537/217,092nd equal and undivided shares of and in Tsing Yi Town Lot No. 140 (the "Lot")	The property comprises a 23-storey fully furnished hotel of 800 guest rooms and Commercial Unit No.2 completed in 2003. The saleable area of the property is approximately 24,000 sq.m. (258,336 sq.ft.). The property is held by the Group under New Grant No. TW 7072 for a term commencing on 7 December 1998 and expiring on 30 June 2047. The government rent payable for the Lot is 3% of the rateable value of the Lot per annum.	The property is occupied as a fully operational hotel.	680,000,000

Notes:

1. The registered owner of the property is City Promenade Limited by Assignment vide Memorial No. 05042702260019 dated 30 March 2005 at a consideration of HK$660,000,000.

2. The property is subject to the following material encumbrances:

   a. Deed of Access and Possession vide Memorial No. TW1258653 dated 7 December 1998;

   b. Modification Letter vide Memorial No. TW1464458 dated 28 May 2002;

   c. Agreement for Sale and Purchase with plans in favour of City Promenade Limited vide Memorial No. TW1543715 dated 20 October 2003 (Re: Hotel 2 & commercial unit of commercial accommodation of 19,725/217,386 share);

   d. Occupation Permit No. NT 76/2003 (OP) vide Memorial No. TW1553099 dated 5 December 2003 (Re: An open access bridge connecting Tsing Yi Town Lot No. 140 with Tsing Yi Road over Government Land);

   e. Occupation Permit No. NT77/2003 (OP) vide Memorial No. TW1553100 dated 8 December 2003;

   f. Memorandum of Allocation of Shares vide Memorial No. TW1565124 dated 23 March 2004;

   g. Certificate of Compliance vide Memorial No. TW1565726 dated 23 March 2004;

VALUATION CERTIFICATE

h. Deed of Mutual Covenant Incorporating Management Agreement in favour of Whampoa Property Management Limited "Company" vide Memorial No. TW1568251 dated 1 April 2004;

i. Mortgage in favour of Dah Sing Bank Limited vide Memorial No. 05121501160253 dated 17 November 2005; and

j. Second mortgage in favour of Winland Finance Limited vide Memorial No. 05121501160264 dated 17 November 2005.

3. City Promenade Limited is an indirectly wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state state as at 31 January 2007 *HK$*
2.	Flat C, 5th Floor and Car Parking Space No. 14 on Ground Floor of Tower II, South Bay Palace, No. 25 South Bay Close, Hong Kong 1,563/35,004th equal and undivided shares of and in Rural Building Lot No. 884 (the "Lot")	The property comprises a residential unit and a car parking space within a 7-storey residential tower completed in 2000. The saleable area of the subject property (excluding the car parking space) is approximately 1,513 sq.ft. (140.56 sq.m.). The property is held by the Group under a Government Lease for a term commencing on 27 August 1962 and expiring on 30 June 2047. The government rent payable for the Lot is HK$506 per annum.	As advised by the group, the property is vacant and available for sale.	16,500,000

Notes:

1. The registered owner of the property is Gold Canton Investment Limited by Assignment vide Memorial No. UB8281637 dated 15 December 2000 at a consideration of HK$16,900,000.

2. The property is subject to the following material encumbrances:

   a. Occupation Permit No. HK 28/2000 (OP) vide Memorial No. UB8190135 dated 14 July 2000;

   b. Deed of Mutual Covenant and Management Agreement with Plans vide Memorial No. UB8253584 dated 6 November 2000;

   c. Mortgage in favour of Industrial And Commercial Bank of China (Asia) Limited vide Memorial No. 06020601230050 dated 27 January 2006; and

3. Gold Canton Investment Limited is an indirectly wholly-owned subsidiary of the Company.

*Set out below is a summary of certain provisions of the memorandum of association (the "**Memorandum of Association**") and the new bye-laws (the "**Bye-laws**") of Inventive (referred to as the "**Company**" in this appendix) and of certain aspects of Bermuda company law:*

1. MEMORANDUM OF ASSOCIATION

The Memorandum of Association states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the Company is an exempted company as defined in the Companies Act. The Memorandum of Association also sets out the objects for which the Company was formed which are unrestricted and that the Company has the capacity, rights, powers and privileges of a natural person. As an exempted company, the Company will be carrying on business outside Bermuda from a place of business within Bermuda.

In accordance with and subject to section 42A of the Companies Act, the Memorandum of Association empowers the Company to purchase its own shares and pursuant to its Bye-laws, this power is exercisable by the board of Directors (the "board") upon such terms and subject to such conditions as it thinks fit.

2. BYE-LAWS

The Bye-laws will be adopted on or before completion of the Group Reorganisation. The following is a summary of certain provisions of the Bye-laws:

(a) Directors

(i) Power to allot and issue shares and warrants

Subject to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Act, any preference shares may be issued or converted into shares that are liable to be redeemed, at a determinable date or at the option of the Company or, if so authorised by the Memorandum of Association, at the option of the holder, on such terms and in such manner as the Company before the issue or conversion may by ordinary resolution determine. The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Act, the Bye-laws, any direction that may be given by the Company in general meeting and, where applicable, the rules of any Designated Stock Exchange (as defined in the Bye-laws) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Bye-laws relating to the disposal of the assets of the Company or any of its subsidiaries.

Note: The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Bye-laws or the Companies Act to be exercised or done by the Company in general meeting.

(iii) Compensation or payments for loss of office

Payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are no provisions in the Bye-laws relating to the making of loans to Directors. However, the Companies Act contains restrictions on companies making loans or providing security for loans to their directors, the relevant provisions of which are summarised in the paragraph headed "Bermuda Company Law" in this appendix.

(v) Financial assistance to purchase shares of the Company

Neither the Company nor any of its subsidiaries shall directly or indirectly give financial assistance to a person who is acquiring or proposing to acquire shares in the Company for the purpose of that acquisition whether before or at the same time as the acquisition takes place or afterwards, provided that the Bye-laws shall not prohibit transactions permitted under the Companies Act.

(vi) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of auditor of the Company) in conjunction with his office of Director for such period and, subject to the Companies Act, upon such terms as the board may determine, and may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Bye-laws. A Director may be or become a director or other officer of, or a member of, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Bye-laws, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Act and to the Bye-laws, no Director or proposed or intending Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested but this prohibition shall not apply to any of the following matters, namely:

(a) any contract or arrangement for giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;

(b) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(c) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(d) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company;

(e) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder or in which the Director and any of his associates are not in aggregate beneficially interested in 5 percent. or more of the issued shares or of the voting rights of any class of shares of such company (or of any third company through which his interest or that of any of his associates is derived); or

(f) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vii) Remuneration

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such remuneration (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably incurred or expected to be incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration provided for by or pursuant to any other Bye-law. A Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company’s monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependants or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependants, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependants are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(viii) Retirement, appointment and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Note: There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or, subject to authorisation by the members in general meeting, as an addition to the existing board but so that the number of Directors so appointed shall not exceed any maximum number determined from time to time by the members in general meeting. Any Director so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at the meeting. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) provided that the notice of any such meeting convened for the purpose of removing a Director shall contain a statement of the intention to do so and be served on such Director 14 days before the meeting and, at such meeting, such Director shall be entitled to be heard on the motion for his removal. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors unless otherwise determined from time to time by members of the Company.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period (subject to their continuance as Directors) and upon such terms as the board may determine and the board may revoke or terminate any of such appointments (but without prejudice to any claim for damages that such Director may have against the Company or vice versa). The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ix) Borrowing powers

The board may from time to time at its discretion exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Act, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Bye-laws in general, can be varied with the sanction of a special resolution of the Company.

(b) Alterations to constitutional documents

The Bye-laws may be rescinded, altered or amended by a resolution of the Directors and confirmation by a special resolution of the members. The Bye-laws state that a special resolution shall be required to alter the provisions of the Memorandum of Association, to confirm any such rescission, alteration or amendment to the Bye-laws or to change the name of the Company.

(c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Act:

(i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;

(ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares as the directors may determine;

(iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association;

(v) change the currency denomination of its share capital;

(vi) make provision for the issue and allotment of shares which do not carry any voting rights; and

(vii) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may, by special resolution, subject to any confirmation or consent required by law, reduce its authorised or issued share capital or, save for the use of share premium as expressly permitted by the Companies Act, any share premium account or other undistributable reserve.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Act, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Bye-laws relating to general meetings will mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons (or in the case of a member being a corporation, its duly authorised representative) holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person (or in the case of a member being a corporation, its duly authorised representative) or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

(e) Special resolution-majority required

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than 21 clear days' notice, specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that, except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which less than 21 clear days' notice has been given.

(f) Voting rights (generally and on a poll) and rights to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Bye-laws, at any general meeting on a show of hands, every member who is present in person (or being a corporation, is present by its duly authorised representative) or by proxy shall have one vote and on a poll every member present in person or by proxy or, being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share.

Notwithstanding anything contained in the Bye-laws, where more than one proxy is appointed by a member which is a clearing house (as defined in the Bye-laws) (or its nominee(s)), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided on a show of hands unless voting by way of a poll is required by the rules of the Designated Stock Exchange (as defined in the Bye-laws) or (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded by (i) the chairman of the meeting or (ii) at least three members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy for the time being entitled to vote at the meeting or (iii) any member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting or (iv) a member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right or (v) if required by the rules of the Designated Stock Exchange, by any Director or Directors who, individually or collectively, hold proxies in respect of shares representing five per cent. (5%) or more of the total voting rights at such meeting.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares held by that clearing house (or its nominee(s)) in respect of the number and class of shares specified in the relevant authorisation including the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Bye-laws), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year other than the year in which its statutory meeting is convened at such time (within a period of not more than 15 months after the holding of the last preceding annual general meeting unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Bye-laws)) and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the provisions of the Companies Act or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or, subject to the Companies Act, at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right of inspecting any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting.

Subject to the Companies Act, a printed copy of the Directors' report, accompanied by the balance sheet and profit and loss account, including every document required by law to be annexed thereto, made up to the end of the applicable financial year and containing a summary of the assets and liabilities of the Company under convenient heads and a statement of income and expenditure, together with a copy of the auditors' report, shall be sent to each person entitled thereto at least 21 days before the date of the general meeting and at the same time as the notice of annual general meeting and laid before the Company in general meeting in accordance with the requirements of the Companies Act provided that this provision shall not require a copy of those documents to be sent to any person whose address the Company is not aware or to more than one of the joint holders of any shares or debentures; however, to the extent permitted by and subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Bye-laws), the Company may send to such persons a summary financial statement derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to a summary financial statement, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Subject to the Companies Act, at the annual general meeting or at a subsequent special general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the members appoint another auditor. Such auditor may be a member but no Director or officer or employee of the Company shall, during his continuance in office, be eligible to act as an auditor of the Company. The remuneration of the auditor shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than Bermuda. If the auditing standards of a country or jurisdiction other than Bermuda are used, the financial statements and the report of the auditor should disclose this fact and name such country and jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting and any special general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by at least 21 clear days' notice in writing, and any other special general meeting shall be called by at least 14 clear days' notice (in each case exclusive of the day on which the notice is given or deemed to be given and of the day for which it is given or on which it is to take effect). The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. The notice convening an annual general meeting shall specify the meeting as such.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in Bermuda or such other place in Bermuda at which the principal register is kept in accordance with the Companies Act.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Bye-laws) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in an appointed newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Bye-laws), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole 30 days in any year.

(k) Power for the Company to purchase its own shares

The Bye-laws supplement the Company's Memorandum of Association (which gives the Company the power to purchase its own shares) by providing that the power is exercisable by the board upon such terms and conditions as it thinks fit.

(l) Power for any subsidiary of the Company to own shares in the Company

There are no provisions in the Bye-laws relating to ownership of shares in the Company by a subsidiary.

(m) Dividends and other methods of distribution

Subject to the Companies Act, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board. The Company in general meeting may also make a distribution to its members out of contributed surplus (as ascertained in accordance with the Companies Act). No dividend shall be paid or distribution made out of contributed surplus if to do so would render the Company unable to pay its liabilities as they become due or the realisable value of its assets would thereby become less than the aggregate of its liabilities and its issued share capital and share premium account.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to a member by the Company on or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company. In addition, a proxy or proxies representing either a member who is an individual or a member which is a corporation shall be entitled to exercise the same powers on behalf of the member which he or they represent as such member could exercise.

(o) Call on shares and forfeiture of shares

Subject to the Bye-laws and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20 per cent. per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than 14 clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect.

Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding 20 per cent. per annum as the board determines.

(p) Inspection of register of members

The register and branch register of members shall be open to inspection between 10:00 a.m. and 12:00 noon on every business day by members of the public without charge at the registered office or such other place in Bermuda at which the register is kept in accordance with the Companies Act, unless the register is closed in accordance with the Companies Act.

(q) Quorum for meetings and separate class meetings

For all purposes the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Bye-laws relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Bermuda law, as summarised in paragraph 4(e) of this appendix.

(s) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Act, divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

The Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Bye-laws) giving notice of its intention to sell such shares and a period of three months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Bye-laws), has elapsed since such advertisement and the Designated Stock Exchange (as defined in the Bye-laws) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) Other provisions

The Bye-laws provide that to the extent that it is not prohibited by and is in compliance with the Companies Act, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

The Bye-laws also provide that the Company is required to maintain at its registered office a register of directors and officers in accordance with the provisions of the Companies Act and such register is open to inspection by members of the public without charge between 10:00 a.m. and 12:00 noon on every business day.

3. VARIATION OF MEMORANDUM OF ASSOCIATION AND BYE-LAWS

The Memorandum of Association may be altered by the Company in general meeting. The Bye-laws may be amended by the Directors subject to the confirmation of the Company in general meeting. The Bye-laws state that a special resolution shall be required to alter the provisions of the Memorandum of Association or to confirm any amendment to the Bye-laws or to change the name of the Company. For these purposes, a resolution is a special resolution if it has been passed by a majority of not less than three-fourths of the votes cast by such members of the Company as, being entitled to do so, vote in person or, in the case of such members as are corporations, by their respective duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than 21 clear days' notice specifying the intention to propose the resolution as a special resolution has been duly given. Except in the case of an annual general meeting, the requirement of 21 clear days' notice may be waived by a majority in number of the members having the right to attend and vote at the relevant meeting, being a majority together holding not less than 95 percent in nominal value of the shares giving that right.

4. BERMUDA COMPANY LAW

The Company is incorporated in Bermuda and, therefore, operates subject to Bermuda law. Set out below is a summary of certain provisions of Bermuda company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Bermuda company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Share capital

The Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account", to which the provisions of the Companies Act relating to a reduction of share capital of a company shall apply as if the share premium account were paid up share capital of the company except that the share premium account may be applied by the company:

(i) in paying up unissued shares of the company to be issued to members of the company as fully paid bonus shares;

(ii) in writing off:

(aa) the preliminary expenses of the company; or

(bb) the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; or

(iii) in providing for the premiums payable on redemption of any shares or of any debentures of the company.

In the case of an exchange of shares the excess value of the shares acquired over the nominal value of the shares being issued may be credited to a contributed surplus account of the issuing company.

The Companies Act permits a company to issue preference shares and subject to the conditions stipulated therein to convert those preference shares into redeemable preference shares.

The Companies Act includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. Where provision is made by the memorandum of association or bye-laws for authorising the variation of rights attached to any class of shares in the company, the consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required, and where no provision for varying such rights is made in the memorandum of association or bye-laws and nothing therein precludes a variation of such rights, the written consent of the holders of three-fourths of the issued shares of that class or the sanction of a resolution passed as aforesaid is required.

(b) Financial assistance to purchase shares of a company or its holding company

A company is prohibited from providing financial assistance for the purpose of an acquisition of its own or its holding company's shares unless there are reasonable grounds for believing that the company is, and would after the giving of such financial assistance be, able to pay its liabilities as they become due. In certain circumstances, the prohibition from giving financial assistance may be excluded such as where the assistance is only an incidental part of a larger purpose or the assistance is of an insignificant amount such as the payment of minor costs.

(c) Purchase of shares and warrants by a company and its subsidiaries

A company may, if authorised by its memorandum of association or bye-laws, purchase its own shares. Such purchases may only be effected out of the capital paid up on the purchased shares or out of the funds of the company otherwise available for dividend or distribution or out of the proceeds of a fresh issue of shares made for the purpose. Any premium payable on a purchase over the par value of the shares to be purchased must be provided for out of funds of the company otherwise available for dividend or distribution or out of the company's share premium account. Any amount due to a shareholder on a purchase by a company of its own shares may (i) be paid in cash; (ii) be satisfied by the transfer of any part of the undertaking or property of the company having the same value; or (iii) be satisfied partly under (i) and partly under (ii). Any purchase by a company of its own shares may be authorised by its board of directors or otherwise by or in accordance with the provisions of its bye-laws. Such purchase may not be made if, on the date on which the purchase is to be effected, there are reasonable grounds for believing that the company is, or after the purchase would be, unable to pay its liabilities as they become due. The shares so purchased may either be cancelled or held as treasury shares. Any purchased shares that are cancelled will, in effect, revert to the status of authorised but unissued shares. If shares of the company are held as treasury shares, the company is prohibited to exercise any rights in respect of those shares, including any right to attend and vote at meetings, including a meeting under a scheme of arrangement, and any purported exercise of such a right is void. No dividend shall be paid to the company in respect of shares held by the company as treasury shares; and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) shall be made to the company in respect of shares held by the company as treasury shares. Any shares allotted by the company as fully paid bonus shares in respect of shares held by the company as treasury shares shall be treated for the purposes of the Companies Act as if they had been acquired by the company at the time they were allotted.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Bermuda law that a company's memorandum of association or its bye-laws contain a specific provision enabling such purchases.

Under Bermuda law, a subsidiary may hold shares in its holding company and in certain circumstances, may acquire such shares. The holding company is, however, prohibited from giving financial assistance for the purpose of the acquisition, subject to certain circumstances provided by the Companies Act. A company, whether a subsidiary or a holding company, may only purchase its own shares if it is authorised to do so in its memorandum of association or bye-laws pursuant to section 42A of the Companies Act.

(d) Dividends and distributions

A company may not declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that (i) the company is, or would after the payment be, unable to pay its liabilities as they become due; or (ii) the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts. Contributed surplus is defined for purposes of section 54 of the Companies Act to include the proceeds arising from donated shares, credits resulting from the redemption or conversion of shares at less than the amount set up as nominal capital and donations of cash and other assets to the company.

(e) Protection of minorities

Class actions and derivative actions are generally not available to shareholders under the laws of Bermuda. The Bermuda courts, however, would ordinarily be expected to permit a shareholder to commence an action in the name of a company to remedy a wrong done to the company where the act complained of is alleged to be beyond the corporate power of the company or is illegal or would result in the violation of the company's memorandum of association and bye-laws. Furthermore, consideration would be given by the court to acts that are alleged to constitute a fraud against the minority shareholders or, for instance, where an act requires the approval of a greater percentage of the company's shareholders than actually approved it.

Any member of a company who complains that the affairs of the company are being conducted or have been conducted in a manner oppressive or prejudicial to the interests of some part of the members, including himself, may petition the court which may, if it is of the opinion that to wind up the company would unfairly prejudice that part of the members but that otherwise the facts would justify the making of a winding up order on just and equitable grounds, make such order as it thinks fit, whether for regulating the conduct of the company's affairs in future or for the purchase of shares of any members of the company by other members of the company or by the company itself and in the case of a purchase by the company itself, for the reduction accordingly of the company's capital, or otherwise. Bermuda law also provides that the company may be wound up by the Bermuda court, if the court is of the opinion that it is just and equitable to do so. Both these provisions are available to minority shareholders seeking relief from the oppressive conduct of the majority, and the court has wide discretion to make such orders as it thinks fit.

Except as mentioned above, claims against a company by its shareholders must be based on the general laws of contract or tort applicable in Bermuda.

A statutory right of action is conferred on subscribers of shares in a company against persons, including directors and officers, responsible for the issue of a prospectus in respect of damage suffered by reason of an untrue statement therein, but this confers no right of action against the company itself. In addition, such company, as opposed to its shareholders, may take action against its officers including directors, for breach of their statutory and fiduciary duty to act honestly and in good faith with a view to the best interests of the company.

(f) Management

The Companies Act contains no specific restrictions on the power of directors to dispose of assets of a company, although it specifically requires that every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Furthermore, the Companies Act requires that every officer should comply with the Companies Act, regulations passed pursuant to the Companies Act and the bye-laws of the company. The directors of a company may, subject to the bye-laws of the company, exercise all the powers of the company except those powers that are required by the Companies Act or the bye-laws to be exercised by the members of the company.

(g) Accounting and auditing requirements

The Companies Act requires a company to cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company and (iii) the assets and liabilities of the company.

Furthermore, it requires that a company keeps its records of account at the registered office of the company or at such other place as the directors think fit and that such records shall at all times be open to inspection by the directors or the resident representative of the company. If the records of account are kept at some place outside Bermuda, there shall be kept at the office of the company in Bermuda such records as will enable the directors or the resident representative of the company to ascertain with reasonable accuracy the financial position of the company at the end of each three month period, except that where the company is listed on an appointed stock exchange, there shall be kept such records as will enable the directors or the resident representative of the company to ascertain with reasonable accuracy the financial position of the company at the end of each six month period.

The Companies Act requires that the directors of the company must, at least once a year, lay before the company in general meeting financial statements for the relevant accounting period. Further, the company's auditor must audit the financial statements so as to enable him to report to the members. Based on the results of his audit, which must be made in accordance with generally accepted auditing standards, the auditor must then make a report to the members. The generally accepted auditing standards may be those of a country or jurisdiction other than Bermuda or such other generally accepted auditing standards as may be appointed by the Minister of Finance of Bermuda under the Companies Act; and where the generally accepted auditing standards used are other than those of Bermuda, the report of the auditor shall identify the generally accepted auditing standards used. All members of the company are entitled to receive a copy of every financial statement prepared in accordance with these requirements, at least five days before the general meeting of the company at which the financial statements are to be tabled. A company the shares of which are listed on an appointed stock exchange may send to its members summarized financial statements instead. The summarized financial statements must be derived from the company's financial statements for the relevant period and contain the information set out in the Companies Act. The summarized financial statements sent to the company's members must be accompanied by an auditor's report on the summarized financial statements and a notice stating how a member may notify the company of his election to receive financial statements for the relevant period and/or for subsequent periods.

The summarized financial statements together with the auditor's report thereon and the accompanied notice must be sent to the members of the company not less than 21 days before the general meeting at which the financial statements are laid. Copies of the financial statements must be sent to a member who elects to receive the same within 7 days of receipt by the company of the member's notice of election.

(h) Auditors

At each annual general meeting, a company must appoint an auditor to hold office until the close of the next annual general meeting; however, this requirement may be waived if all of the shareholders and all of the directors, either in writing or at the general meeting, agree that there shall be no auditor.

A person, other than an incumbent auditor, shall not be capable of being appointed auditor at an annual general meeting unless notice in writing of an intention to nominate that person to the office of auditor has been given not less than 21 days before the annual general meeting. The company must send a copy of such notice to the incumbent auditor and give notice thereof to the members not less than 7 days before the annual general meeting. An incumbent auditor may, however, by notice in writing to the secretary of the company waive the requirements of the foregoing.

Where an auditor is appointed to replace another auditor, the new auditor must seek from the replaced auditor a written statement as to the circumstances of the latters replacement. If the replaced auditor does not respond within 15 days, the new auditor may act in any event. An appointment as auditor of a person who has not requested a written statement from the replaced auditor is voidable by a resolution of the shareholders at a general meeting. An auditor who has resigned, been removed or whose term of office has expired or is about to expire, or who has vacated office is entitled to attend the general meeting of the company at which he is to be removed or his successor is to be appointed; to receive all notices of, and other communications relating to, that meeting which a member is entitled to receive; and to be heard at that meeting on any part of the business of the meeting that relates to his duties as auditor or former auditor.

(i) Exchange control

An exempted company is usually designated as “non-resident” for Bermuda exchange control purposes by the Bermuda Monetary Authority. Where a company is so designated, it is free to deal in currencies of countries outside the Bermuda exchange control area which are freely convertible into currencies of any other country. The permission of the Bermuda Monetary Authority is required for the issue of shares and securities by the company and the subsequent transfer of such shares and securities. In granting such permission, the Bermuda Monetary Authority accepts no responsibility for the financial soundness of any proposals or for the correctness of any statements made or opinions expressed in any document with regard to such issue. Before the company can issue or transfer any further shares and securities in excess of the amounts already approved, it must obtain the prior consent of the Bermuda Monetary Authority.

The Bermuda Monetary Authority has granted general permission for the issue and transfer of shares and securities to and between persons regarded as resident outside Bermuda for exchange control purposes without specific consent for so long as any equity securities, including shares, are listed on an appointed stock exchange (as defined in the Companies Act). Issues to and transfers involving persons regarded as “resident” for exchange control purposes in Bermuda will be subject to specific exchange control authorisation.

(j) Taxation

Under present Bermuda law, no Bermuda withholding tax on dividends or other distributions, nor any Bermuda tax computed on profits or income or on any capital asset, gain or appreciation will be payable by an exempted company or its operations, nor is there any Bermuda tax in the nature of estate duty or inheritance tax applicable to shares, debentures or other obligations of the company held by non-residents of Bermuda. Furthermore, a company may apply to the Minister of Finance of Bermuda for an assurance, under the Exempted Undertakings Tax Protection Act 1966 of Bermuda, that no such taxes shall be so applicable until 28th March 2016, although this assurance will not prevent the imposition of any Bermuda tax payable in relation to any land in Bermuda leased or let to the company or to persons ordinarily resident in Bermuda.

(k) Stamp duty

An exempted company is exempt from all stamp duties except on transactions involving "Bermuda property". This term relates, essentially, to real and personal property physically situated in Bermuda, including shares in local companies (as opposed to exempted companies). Transfers of shares and warrants in all exempted companies are exempt from Bermuda stamp duty.

(l) Loans to directors

Bermuda law prohibits the making of loans by a company to any of its directors or to their families or companies in which they hold more than a 20 per cent. interest, without the consent of any member or members holding in aggregate not less than nine-tenths of the total voting rights of all members having the right to vote at any meeting of the members of the company. These prohibitions do not apply to (a) anything done to provide a director with funds to meet the expenditure incurred or to be incurred by him for the purposes of the company, provided that the company gives its prior approval at a general meeting or, if not, the loan is made on condition that it will be repaid within six months of the next following annual general meeting if the loan is not approved at or before such meeting, (b) in the case of a company whose ordinary business includes the lending of money or the giving of guarantees in connection with loans made by other persons, anything done by the company in the ordinary course of that business, or (c) any advance of moneys by the company to any officer or auditor under Section 98(2)(c) of the Companies Act which allows the company to advance moneys to an officer or auditor of the company for the costs incurred in defending any civil or criminal proceedings against them, on condition that the officer or auditor shall repay the advance if any allegation of fraud or dishonesty is proved against them. If the approval of the company is not given for a loan, the directors who authorised it will be jointly and severally liable for any loss arising therefrom.

(m) Inspection of corporate records

Members of the general public have the right to inspect the public documents of a company available at the office of the Registrar of Companies in Bermuda which will include the company's certificate of incorporation, its memorandum of association (including its objects and powers) and any alteration to the company's memorandum of association. The members of the company have the additional right to inspect the bye-laws of a company, minutes of general meetings and the company's audited financial statements, which must be presented to the annual general meeting. Minutes of general meetings of a company are also open for inspection by directors of the company without charge for not less than two hours during business hours each day. The register of members of a company is open for inspection by members of the public without charge. The company is required to maintain its share register in Bermuda but may, subject to the provisions of the Companies Act, establish a branch register outside Bermuda. Any branch register of members established by the company is subject to the same rights of inspection as the principal register of members of the company in Bermuda. Any person may on payment of a fee prescribed by the Companies Act require a copy of the register of members or any part thereof which must be provided within fourteen days of a request. Bermuda law does not, however, provide a general right for members to inspect or obtain copies of any other corporate records.

A company is required to maintain a register of directors and officers at its registered office and such register must be made available for inspection for not less than two hours in each day by members of the public without charge. If summarized financial statements are sent by a company to its members pursuant to section 87A of the Companies Act, a copy of the summarized financial statements must be made available for inspection by the public at the registered office of the company in Bermuda.

(n) Winding up

A company may be wound up by the Bermuda court on application presented by the company itself, its creditors or its contributors. The Bermuda court also has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Bermuda court, just and equitable that such company be wound up.

A company may be wound up voluntarily when the members so resolve in general meeting, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum expires, or the event occurs on the occurrence of which the memorandum provides that the company is to be dissolved. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above. Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval.

Where, on a voluntary winding up, a majority of directors make a statutory declaration of solvency, the winding up will be a members' voluntary winding up. In any case where such declaration has not been made, the winding up will be a creditors' voluntary winding up.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators within the period prescribed by the Companies Act for the purpose of winding up the affairs of the company and distributing its assets. If the liquidator at any time forms the opinion that such company will not be able to pay its debts in full, he is obliged to summon a meeting of creditors.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting requires at least one month's notice published in an appointed newspaper in Bermuda.

In the case of a creditors' voluntary winding up of a company, the company must call a meeting of creditors of the company to be summoned on the day following the day on which the meeting of the members at which the resolution for winding up is to be proposed is held. Notice of such meeting of creditors must be sent at the same time as notice is sent to members. In addition, such company must cause a notice to appear in an appointed newspaper on at least two occasions.

The creditors and the members at their respective meetings may nominate a person to be liquidator for the purposes of winding up the affairs of the company provided that if the creditors nominate a different person, the person nominated by the creditors shall be the liquidator. The creditors at the creditors' meeting may also appoint a committee of inspection consisting of not more than five persons.

If a creditors' winding up continues for more than one year, the liquidator is required to summon a general meeting of the company and a meeting of the creditors at the end of each year to lay before such meetings an account of his acts and dealings and of the conduct of the winding up during the preceding year. As soon as the affairs of the company are fully wound up, the liquidator must make an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon shall call a general meeting of the company and a meeting of the creditors for the purposes of laying the account before such meetings and giving an explanation thereof.

(o) Power to acquire shares of shareholders dissenting from scheme or contract approved by majority

Broadly speaking, where this is a general offer for shares of a company, pursuant to section 102 of the Companies Act, if the offer is approved by the holders of 90 per cent. in value of the shares which are the subject of the offer, the offeror can compulsorily acquire the shares of dissentient shareholders. Shares owned by the offeror or its subsidiary or their nominees at the date of the offer do not, however, count towards the 90%. If the offeror or any of its subsidiaries or any nominee of the offeror or any of its subsidiaries together already own more than 10% of the shares in the subject company at the date of the offer the offeror must offer the same terms to all holders of the same class and the holders who accept the offer, besides holding not less than 90% in value of the shares, must also represent not less than 75% in number of the holders of those shares.

The 90% acceptance must be obtained within 4 months after the making of the offer and, once obtained, the compulsory acquisition may be commenced within 2 months of the acquisition of 90%. Dissentient shareholders do not have express appraisal rights but are entitled to seek relief (within one month of the compulsory acquisition notice) from the Supreme Court of Bermuda which has power to make such orders as it thinks fit.

(p) Holders of ninety-five per cent. of shares may acquire remainder

The holders of 95% or more of the shares or any class of shares may serve a notice on the remaining shareholders or class of shareholders under section 103 of the Companies Act to acquire their shares. Dissentient shareholders have a right to apply to the Supreme Court of Bermuda within one month of the compulsory acquisition notice to have the value of their shares appraised by the Supreme Court of Bermuda. Under section 103 of the Companies Act, if one dissentient shareholder applies to the Supreme Court of Bermuda and is successful in obtaining a higher valuation that valuation must be paid to all shareholders being squeezed out.

5. GENERAL

Conyers Dill & Pearman, the Company's legal advisers on Bermuda law, have sent to the Company a letter of advice summarising certain aspects of Bermuda company law. This letter, together with a copy of the Companies Act, is available for inspection as referred to in the section headed "Documents available for inspection" in Appendix X to this circular. Any person wishing to have a detailed summary of Bermuda company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

RESPONSIBILITY STATEMENT

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than that relating to the Offeror, the Vendor, their respective associates and parties acting in concert with each of the Offeror and the Vendor) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this circular (other than those relating to the Offeror, the Vendor, their respective associates and parties acting in concert with each of the Offeror and the Vendor) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

Information (including that about the Bank Loan Arrangements in Appendix I to this circular) and confirmation relating to the Offeror, its associates and parties acting in concert with it set out in this circular has been duly extracted from the Announcement or provided by the Offeror. Information and confirmation relating to the Vendor, its associates and parties acting in concert with it set out in this circular has been duly extracted from the Announcement or provided by the Vendor. The Directors jointly and severally accept responsibility for the correctness and fairness of reproduction or presentation of such information.

DIRECTORS' AND CHIEF EXECUTIVE'S DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests and short positions of Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have taken under such provisions of the SFO); or were required, pursuant to Section 352 of the SFO, to be entered in the register kept by the Company, or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long positions in Shares

Director	Number of Shares held	Capacity and nature of interest	Approximate shareholding percentage (%)
Mr. Lau *(Note i)*	964,548,303 *(Note ii)*	Interest of controlled corporation	73.58

Notes:

(i) A substantial Shareholder.

(ii) Such Shares were held by the Vendor and Mr. Lau was taken to have an interest in such Shares by virtue of the SFO since he was entitled to exercise or control the exercise of more than one-third of the voting power at the general meetings of the Vendor.

Long positions in shares of associated corporation

Associated corporation	Director	Number of shares of US$1.00 each held	Capacity and nature of interest	Shareholding percentage (%)
The Vendor	Mr. Lau	100	Beneficial owner	100

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have taken under such provisions of the SFO); or were required, pursuant to Section 352 of the SFO, to be entered in the register kept by the Company, or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, to be notified to the Company and the Stock Exchange.

As at the Latest Practicable Date, none of the Directors and the chief executive of the Company, except for Mr. Lau who is also a director of the Vendor as disclosed in this circular, was a director or employee of a company which has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES

As at the Latest Practicable Date, to the best knowledge of the Directors or chief executive of the Company, the following parties (other than a Director or chief executive of the Company), had interests or short positions in the Shares or underlying Shares which are required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was expected, directly or indirectly, to be interested in 10% or more of the norminal value of any class of share capital (together with any options in respect of such capital) carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name	Long/short position	Number of Shares held	Capacity and nature of interest	Approximate shareholding percentage (%)
The Vendor	Long	964,548,303 *(Note i)*	Beneficial owner	73.58
Ms. Xia He Na *(Note ii)*	Long	964,548,303 *(Note ii)*	Interest of spouse	73.58
The Offeror *(Note iii)*	Long	964,548,303 *(Note v)*	Beneficial owner	73.58
Winland Stock (BVI) Limited *(Note iii)*	Long	964,548,303 *(Note v)*	Interest of a controlled corporation	73.58
Mr. Lun *(Note iii)*	Long	964,548,303 *(Note v)*	Interest of a controlled corporation	73.58
Ms. Suen Chui Fan *(Note iv)*	Long	964,548,303 *(Note iv)*	Interest of spouse	73.58

Notes:

(i) Mr. Lau is deemed to be interested in the 964,548,303 Shares held by the Vendor as Mr. Lau is entitled to exercise or control the exercise of more than one-third of the voting power at the general meetings of the Vendor.

(ii) Ms. Xia He Na (formerly known as Ms. Ha Ming Kuen), the spouse of Mr. Lau, is deemed to be interested in Mr. Lau's Shares which represented the same parcel of Shares as held by the Vendor.

(iii) The Offeror is a wholly-owned subsidiary of Winland Stock (BVI) Limited. Winland Stock (BVI) Limited is solely owned by Mr. Lun. Winland Stock (BVI) Limited and Mr. Lun are therefore deemed to be interested in the same 964,548,303 Shares in which the Offeror is interested under the SFO.

(iv) Ms. Suen Chui Fan, being the spouse of Mr. Lun, is deemed to be interested in the deemed interest held by Mr. Lun mentioned in Note (iii) above under the SFO, which are the same parcel of Shares held by the Offeror.

(v) These are the interests of the Offeror arising from the entering into of the Share Sale Agreement for the acquisition of 964,548,303 Sale Shares. Completion of the Share Sale Agreement has not taken place and is subject to fulfillment or waiver (as the case may be) of the conditions precedent to the Share Sale Agreement.

Save as disclosed above, the Directors or chief executive of the Company are not aware of any person (other than a Director or chief executive of the Company), who, as at the Latest Practicable Date, had interests or short positions in the Shares or underlying Shares which are required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was expected, directly or indirectly, to be interested in 10% or more of the norminal value of any class of share capital (together with any options in respect of such capital) carrying rights to vote in all circumstances at general meetings of any other member of the Group.

MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by the Group within the two years immediately preceding the Latest Practicable Date, and are or may be material:

(i) an assignment dated 30 March 2005 entered into between Matrica Limited as vendor and City Promenade as purchaser in respect of the Properties;

(ii) a loan agreement dated 28 April 2005 entered into between an independent third party as borrower and the Group as lender in respect of a loan of HK$300 million (the "**Term Loan Agreement**");

(iii) four memoranda of understanding dated 9 May 2005 entered into among three different toll road companies controlled by Mr. Lau and Niceview Limited (a wholly-owned subsidiary of the Company);

(iv) a first supplement loan agreement to the Term Loan Agreement dated 26 May 2005;

(v) a first further loan agreement to the Term Loan Agreement dated 22 June 2005;

(vi) a provisional sale and purchase agreement dated 30 June 2005 entered into among All Victory Holdings Limited (a wholly-owned subsidiary of the Company), the Company, Winsworld Properties Limited (a then wholly-owned subsidiary of the Company), Express Chain and Winland Enterprises in respect of, inter alia, sale of Elizabeth House (as referred to in Appendix I to this circular) by the Group for a total consideration of HK$1,480 million;

(vii) the Elizabeth House Agreement;

(viii) an agreement dated 15 August 2005 entered into among Portfield Limited (a wholly-owned subsidiary of the Company) as purchaser and 中國華星資產經營有限公司 (China Huaxing Asset Management Limited) and Mexan Holdings Limited both as vendors in respect of the sale and purchase of the remaining 55.1% equity interest in Beilun Company for a total consideration of HK$530 million;

(ix) the Winland Loan agreement;

(x) the Deed of Undertaking;

(xi) the Management Contract;

(xii) an agreement dated 29 December 2006 entered into between Gold Canton Investment Limited (a wholly-owned subsidiary of the Company) as vendor and Smart Point Resources Limited as purchaser in respect of the sale and purchase of a property situated at Flat C, 5th Floor and a car parking space No. 14 on the Ground Floor of Tower II, South Bay Palace, No. 25 South Bay Close, Hong Kong (the "**Property**") for a total consideration of HK$16.5 million;

(xiii) the Termination Deed; and

(xiv) an assignment dated 9 February 2007 entered into between Gold Canton Investment Limited (a wholly-owned subsidiary of the Company) as vendor and Smart Point Resources Limited as purchaser in respect of the Property.

LITIGATION

As at the Latest Practicable Date, no member of the 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 against any member of the Group.

SERVICE CONTRACT

As at the Latest Practicable Date, none of the Directors had any existing or proposed service agreement with any member of the Group which will not expire or is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at the Latest Practicable Date, Mr. Lau as a Director was considered to have interests in the following businesses (the "**Competing Businesses**") which compete or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to Rule 8.10 of the Listing Rules:

Name of entity of the Competing Businesses	Description of the Competing Businesses	Nature of interest of Mr. Lau in the entity
Mexan International Limited	Property investment	As substantial shareholder and director
上海茂盛企業發展（集團）有限公司 (Shanghai Mexan Enterprise Development (Group) Company Limited)	Property development and investment	As substantial shareholder and director
上海滬青平高速公路建設發展有限公司 (Shanghai Huqingping Expressway Construction Development Company Limited)	Toll road investment	As substantial shareholder and director
紹興市甬金高速公路建設發展有限公司 (Shaoxing Yongjin Expressway Construction Development Company Limited)	Toll road investment	As substantial shareholder

DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

So far as the Directors are aware, as at the Latest Practicable Date:

(i) none of the Directors or their associates had any direct or indirect interest in any assets which have been, since 30 September 2006 (being the date to which the latest published audited financial statements of the Group were made up), acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group; and

(ii) none of the Directors or their associates was materially interested in any contract or arrangement entered into by any member of the Group and subsisting at the Latest Practicable Date which is significant in relation to the business of the Group.

EXPERTS AND CONSENTS

(i) The following are the qualifications of the experts who have given their opinions and advice which are included in this circular:

Name	Qualification
Hercules Capital Limited	a corporation licensed under the SFO to carry out Type 6 (advising on corporate finance) regulated activity for the purposes of the SFO
Horwath Hong Kong CPA Limited ("**Horwath**")	certified public accountants
BMI Appraisals Limited ("**BMI**")	chartered surveyors and financial and business valuers
Mannings (Asia) Consultants Ltd. ("**Mannings**")	chartered engineers and traffic consultants
Conyers Dill & Pearman ("**Conyers** ")	Bermuda legal advisers

(ii) None of Hercules, Horwath, BMI, Mannings and Conyers has any shareholding, directly or indirectly, in any member of the 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 Group.

(iii) Each of Hercules, Horwath, BMI, Mannings and Conyers has given and has not withdrawn its written consent to the issue of this circular, with the inclusion of its letter or report or references to its name in the form and context in which they are included.

(iv) None of Hercules, Horwath, BMI, Mannings and Conyers has any direct or indirect interest in any assets which have been, since 30 September 2006 (being the date to which the latest published audited financial statements of the Group were made up), acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

INDEBTEDNESS

At the close of business on 31 January 2007, being the Latest Practicable Date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had outstanding borrowings of approximately HK$2,085,470,000. The borrowings comprised secured bank borrowings of HK$2,016,433,000, other secured borrowings of HK$53,606,000, obligations under finance leases of HK$117,000 and interest payable of HK$15,314,000.

The Group's banking facilities are secured by legal charges on the Properties, its investment property, the Toll Road operating right and corporate guarantees of the Group. The other borrowings are secured by a second legal charge over the Properties.

Save as aforesaid and apart from intra-group liabilities, the Group did not have any outstanding mortgages, charges, debentures, loan capital and overdraft or other similar indebtedness, finance leases or hire purchase commitment, liabilities under acceptances or acceptances credits or any guarantees or other material contingent liabilities as at the close of business on 31 January 2007.

For the purpose of the above indebtedness statement, foreign currency amounts have been translated in Hong Kong dollars at the approximately exchange rates prevailing at the close of business on 31 January 2007.

Save as disclosed above, there has been no material change in the indebtedness or contingent liabilities of the Group since 31 January 2007.

WORKING CAPITAL

The Directors are of the opinion that after taking into account its internal resources and present available banking facilities, the Remaining Group will immediately following completion of the Group Reorganisation have sufficient working capital for at least 12 months from the date of this circular.

MISCELLANEOUS

(i) The company secretary of the Company is Ms. Chan Wai Ming, an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators.

(ii) The qualified accountant of the Company (as required under the Listing Rules) is Ms. Nip Suk Ching. Ms. Nip is a certified public accountant, a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.

(iii) The Company's branch share registrar is Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(iv) Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong has been appointed as the transfer agent to handle splitting and registration of transfer of Inventive Shares. The charge for splitting of Inventive Share certificates is expected to be HK$2.50 per new certificate issued. The charge for transfer of Inventive Shares is expected to be HK$2.50 per old Inventive Share certificate cancelled or per new Inventive Share certificate issued, whichever is the higher. Both charges shall be borne by the Inventive Shareholder or transferee who lodges the request with the transfer agent. New share certificates will be available for collection within 15 business days upon surrender of the old share certificates to the transfer agent for splitting or lodgement of the transfer form and related share certificate(s) to the transfer agent for registration of transfer.

(v) This circular has been prepared in both English and Chinese languages. In the case of any inconsistency, the English text shall prevail over the Chinese text.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the Hong Kong principal place of business of the Company at 16th Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong up to and including Wednesday, 11 April 2007:

(i) the memorandum of association and the bye-laws of the Company;

(ii) the memorandum of association and the new bye-laws of Inventive;

(iii) the annual reports of the Company for each of the two years ended 31 March 2005 and 2006 and the interim report of the Company for six months ended 30 September 2006;

(iv) the letter of advice from Hercules, the text of which is set out on pages 19 to 43 of this circular;

(v) the accountants' report on the Group from Horwath, the text of which is set out in Appendix II to this circular;

(vi) the accountants' report on the Inventive Group from Horwath, the text of which is set out in Appendix III to this circular;

(vii) the pro forma financial information on the Remaining Group and the relevant comfort letters in connection therewith from Horwath and Hercules, the text of each of which is set out in Appendix IV to this circular;

(viii) the pro forma financial information on the Inventive Group and the comfort letter thereon from Horwath, the text of each of which is set out in Appendix V to this circular;

(ix) the valuation report on Beilun Company from BMI and the relevant comfort letters in connection therewith from Horwath and Hercules, the text of each of which is set out in Appendix VI to this circular;

(x) the traffic forecast report from Mannings, the text of which is set out in Appendix VII to this circular;

(xi) the property valuation report from BMI, the text of which is set out in Appendix VIII to this circular;

(xii) the letter from Conyers dated 17 March 2007 as referred to in the section headed "General" in Appendix IX to this circular summarising certain aspects of Bermuda company law, together with a copy of the Companies Act 1981 of Bermuda;

(xiii) the material contracts as referred to in the section headed "Material contracts" in this appendix; and

(xiv) the written consents as referred to in the section headed "Experts and consents" in this appendix.

MEXAN LIMITED
茂盛控股有限公司*

(Incorporated in Bermuda with limited liability)
(Stock Code: 22)

NOTICE IS HEREBY GIVEN that a special general meeting of **MEXAN LIMITED** (the "**Company**" and together with its subsidiaries, the "**Group**") will be held at Mexan Café, Level 5, Mexan Harbour Hotel, No. 1 Tsing Yi Road, Tsing Yi, New Territories, Hong Kong on Thursday, 12 April 2007 at 10:00 a.m. for the purpose of considering and, if thought fit, passing, with or without amendment, the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT**:—

(1) subject to completion of the share sale agreement dated 2 January 2007 (as amended and supplemented by a supplemental agreement dated 6 February 2007 entered into by the same parties) entered into between Mexan Group Limited as vendor, Mr. Lau Kan Shan as guarantor for the vendor, Winland Wealth (BVI) Limited as purchaser and Winland Enterprises Limited as guarantor for the purchaser (a copy of which have been produced to the meeting marked "A1" and "A2" and signed by the Chairman for the purposes of identification) (the "**Share Sale Agreement**") taking place:–

(a) the group reorganisation described in the circular of the Company dated 17 March 2007 (the "**Circular**") (a copy of which has been produced to the meeting marked "B" and signed by the Chairman for the purposes of identification) involving, amongst other things:–

(i) the Group (excluding Inventive Limited and its subsidiaries) continuing to operate the existing hotel investment and operation business of the Group (the "**Hotel Business**") and the ordinary shares of the Company continuing to be listed on the Main Board of The Stock Exchange of Hong Kong Limited; and

(ii) Inventive Limited and its subsidiaries (together the "**Inventive Group**") operating all businesses of the Group other than the Hotel Business, including but not limited to toll road operation and management as well as investment holding;

* *For identification purposes only*

(b) the deed of release and termination dated 2 January 2007 entered into between City Promenade Limited, Winland Hotel Management Limited, Winland Finance Limited and the Company in relation to the conditional termination of the management contract dated 10 November 2005 (as supplemented by a supplemental management contract dated 11 November 2005 entered into between the same parties) entered into between City Promenade Limited, Winland Hotel Management Limited, Winland Finance Limited and the Company (a copy of which has been produced to the meeting marked "C1" and "C2" and signed by the Chairman for the purposes of identification);

(c) the deed of novation to be entered into between Express Chain Limited, Mr. Lau Kan Shan ("**Mr. Lau**") and the Company under which Mr. Lau will agree that all the obligations and liabilities imposed or to be imposed on the Company under a deed of undertaking and indemnity executed by the Company on 11 November 2005 in favour of Express Chain Limited be novated to and accepted by Mr. Lau upon completion of the Share Sale Agreement (a copy of which has been produced to the meeting marked "D1" and "D2" and signed by the Chairman for the purposes of identification);

and each of them be and are hereby approved, ratified and confirmed and that the directors of the Company be authorised to sign or execute such documents (if not already executed) and such other documents or agreements or deeds on behalf of the Company whether under the common seal of the Company or otherwise as may be necessary and to do such other things and to take all such actions as they consider necessary or desirable for the purposes of facilitating, executing, implementing or giving effect thereto; and

(2) (a) a special dividend in the amount of HK$0.06865 per Share be paid in cash each to shareholders of the Company; and

(b) a dividend of HK$0.30 per Share to be satisfied not in cash but by way of a distribution in specie of a total of 1,310,925,244 ordinary shares of HK$0.10 each in Inventive Limited be paid on the basis set out in the Circular to shareholders of the Company;

whose names appear on the register of members of the Company at the close of business on 12 April 2007 and the directors are hereby authorised to effect the payment of dividends and distribution in specie in such manner as considered appropriate by the directors of the Company."

By Order of the Board
MEXAN LIMITED
Tse On Kin
Managing Director

Hong Kong, 17 March 2007

As at the date of this notice, the Company's executive directors are Mr. Lau Kan Shan (Chairman), Mr. Tse On Kin (Managing Director) and Ms. Ching Yung and its independent non-executive directors are Mr. Chan Wai Dune, Mr. Lau Wai and Mr. Tong Kwai Lai.

Registered office:	*Principal place of business in Hong Kong:*
Clarendon House	16th Floor
Church Street	Bank of East Asia Harbour View Centre
Hamilton HM 11	56 Gloucester Road
Bermuda	Wanchai
	Hong Kong

Notes:

1. A form of proxy for use at the meeting is accompanied herewith.

2. A shareholder entitled to attend and vote at the special general meeting is entitled to appoint one or more proxies to attend and vote instead of him/her. A proxy need not be a shareholder of the Company.

3. To be valid, a form of proxy, together with the power of attorney (if any) or other authority (if any) under which it is signed or a notarially certified copy of the power of attorney or authority, must be completed, signed and deposited with the Company's branch share registrar, Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the meeting.

4. Delivery of an instrument appointing a proxy shall not preclude a shareholder from attending and voting in person at the meeting or any adjournment thereof should you so desire, and in such event, the instrument appointing a proxy shall be deemed to be revoked.

5. The ordinary resolution will be voted by poll by the independent Shareholders of the Company.