THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in United Power Investment Limited (the "Company"), you should at once hand this circular accompanying with the form of proxy to the purchaser or transferee, or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

UNITED POWER INVESTMENT LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 674)

MAJOR AND CONNECTED TRANSACTION

Financial adviser to the Company

博大資本國際有限公司
Partners Capital International Limited

Independent financial adviser

第一上海
FIRST SHANGHAI GROUP

FIRST SHANGHAI CAPITAL LIMITED

A letter from the independent board committee of the Company is set out on page 20 of this circular. A letter from First Shanghai Capital Limited containing its advice to the independent board committee and the independent shareholder of the Company is set out on pages 21 to 37 of this circular.

A notice convening the special general meeting of the Company to be held at Golden Island Bird's Nest Chiu Chau Restaurant, 2nd Floor, East Wing, Star House, Salisbury Road, Tsimshatsui, Kowloon, Hong Kong on 23 November 2007 at 3:00 p.m. is set out on pages 159 and 160 of this circular. Whether or not you are able to attend the meeting in person, please complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's principal office at 2810-11, 28th Floor Shun Tak Centre, West Tower, 200 Connaught Road Central, Hong Kong as soon as practicable but in any event not less than 48 hours before the time appointed for the holding of the meeting. Completion and return of the accompanying from of proxy will not preclude you from attending and voting at the meeting should you so wish.

7 November 2007

CONTENTS

	Page
Definitions	1
Letter from the Board	5
Letter from the Independent Board Committee	20
Letter from First Shanghai	21
Appendix I — Accountants' Report of the Wellrich Group	38
Appendix II — Financial Information on the Group	64
Appendix III — Unaudited Pro Forma Financial Information of the Enlarged Group	133
Appendix IV — Property Valuation	138
Appendix V — General Information	149
Notice of SGM	159

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

"Acquisition"	the acquisition of the Sale Shares and the benefits of the Loan from the Vendor pursuant to the Agreement
"Agreement"	the conditional sale and purchase agreement dated 15 October 2007 between the Company and the Vendor, pursuant to which the Purchaser agreed to acquire from the Vendor the Sale Shares and the benefits of the Loan
"associates"	has the meaning ascribed to it in the Listing Rules
"Board"	the board of Directors, including independent non-executive Directors
"BVI"	the British Virgin Islands
"Company" or "Purchaser"	United Power Investment Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
"Completion Date"	date of completion of the sale and purchase under the Agreement
"Consideration Shares"	new Shares to be issued, allotted and credited as fully paid pursuant to the Agreement
"Director(s)"	the director(s), including the independent non-executive directors, of the Company
"Enlarged Group"	the Group enlarged by the Acquisition
"First Shanghai"	First Shanghai Capital Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC

"Independent Board Committee"	the independent board committee of the Company comprising the independent non-executive Directors, namely Messrs. Chan Lai Mei, Lee Wai Loun and Lee Yuk Sang, Angus
"Independent Shareholders"	Shareholders other than World Possession, Madam Ma, Mr. Yeung, Ms. Yeung and their respective associates
"JV Company"	肇慶星湖俱樂部(Star-Lake Club Zhaoqing)
"Latest Practicable Date"	5 November 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Loan"	all interest free unsecured loans advanced by the Vendor to Wellrich as at the Completion Date
"Madam Ma"	Madam Ma Shuk Kam, an executive Director
"Mr. Yeung"	Mr. Yeung Chi Hang, the Chairman of the Company and an executive Director
"Ms. Yeung"	Ms. Yeung Kit Yu, Kitty, an executive Director
"PRC"	the People's Republic of China, which, for the purpose of the this circular, excludes Hong Kong, Taiwan and Macau
"Properties"	Property I and Property II
"Property I"	No. 9 Duan Zhou Wu Road, Zhaoqing, Guangdong Province, the PRC
"Property II"	the land portion of a car repairing workshop located to the north of Yingbin Dadao, Zhaoqing, Guangdong Province, the PRC
"Sale Shares"	the 100 issued shares of US$1 each in the capital of Wellrich beneficially owned by the Vendor

"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 at 3:00 p.m. on 23 November 2007 for approving the Agreement, notice of which is set out on pages 159 and 160 of this circular
"Share(s)"	share(s) of HK$0.05 each in the share capital of the Company
"Shareholder(s)"	holders of Share(s)
"Shenzhen Land Acquisition"	the Group's acquisition of (i) the entire issued share capital of Shenzhen Land Company Limited from Mr. Yeung and the Vendor pursuant to the sale and purchase agreement dated 13 April 2007 and (ii) benefits of loan from the Vendor pursuant to the loan assignment agreement dated 13 April 2007, details of which are set out in the announcement of the Company dated 16 April 2007
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Valuer"	Vigers Appraisal & Consulting Limited, an independent qualified property surveyor appointed by the Company
"Vendor"	Well Harvest Enterprises Limited, a company incorporated in BVI with limited liability and wholly and beneficially owned by Madam Ma
"Wellrich"	Wellrich Investments Limited, a company incorporated in BVI with limited liability and wholly and beneficially owned by the Vendor
"Wellrich Group"	Wellrich and the JV Company
"World Possession"	World Possession Assets Limited, a company incorporated in BVI with limited liability and the controlling Shareholder interested in approximately 52.74% of the issued share capital of the Company as at the Latest Practicable Date. Madam Ma, Mr. Yeung and Ms. Yeung , all being executive Directors, hold the entire issued share capital of World Possession in equal shares

"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"US$"	United States dollar(s)
"RMB"	Renminbi, the lawful currency of the PRC
"sq.m."	square meter(s)
"%"	percentage

For the purpose of this circular, all amounts in RMB are translated into HK$ at an exchange rate of RMB1:HK$1.0402 and all amounts in US$ are translated into HK$ at an exchange rate of US$:HK$7.8 unless otherwise stated.

UNITED POWER INVESTMENT LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 674)

Executive Directors:
Yeung Chi Hang *(Chairman)*
Ma Shuk Kam
Liu Yu Mo *(Chief Executive Officer)*
Chung Siu Wah
Yeung Kit Yu, Kitty
Au Edmond Wah
Chik To Pan

Independent Non-Executive Directors:
Chan Lai Mei
Lee Wai Loun
Lee Yuk Sang, Angus

Registered Office:
Clarendon House
Church Street
Hamilton HM 11
Bermuda

Head office and principal place of business:
2810-11
28th Floor Shun Tak Centre
West Tower
200 Connaught Road Central
Hong Kong

7 November 2007

To the Shareholders,

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION

INTRODUCTION

On 17 October 2007, the Board announced that on 15 October 2007, the Company entered into the Agreement with the Vendor, pursuant to which the Company as purchaser agreed to acquire the entire issued share capital of, and the benefits of all loans advanced to, Wellrich from the Vendor for an aggregate consideration of HK$355.6 million, HK$120 million of which shall be paid in cash and the balance of HK$235.6 million to be satisfied by the issue and allotment of the 699,109,792 Consideration Shares, representing an issue price of HK$0.337 per Share.

As the aggregate applicable percentage ratio for the Acquisition and the Shenzhen Land Acquisition under the Listing Rules is more than 25% and less than 100%, the Acquisition constitutes a major transaction for the Company under the Listing Rules. The Acquisition also constitutes a connected transaction for the Company under the Listing Rules as the Vendor is a company wholly and beneficially owned by Madam Ma, an executive Director, and is subject to the approval of the Independent Shareholders at a general meeting with vote to be taken on a poll. Save for the Shenzhen Land Acquisition, there is no transaction with the Vendor which requires aggregation under Rules 14.22 and 14A.25 of the Listing Rules.

The Independent Board Committee has been appointed by the Board to give recommendation to the Independent Shareholders on the terms of the Agreement and voting in respect of the Acquisition. First Shanghai has been appointed as the independent financial adviser to advise the Independent Board Committee and the Shareholders in this regard.

The purpose of this circular is to give you further information on the Acquisition, the accountants' report of the Wellrich Group, the recommendation from the Independent Board Committee, the advice of First Shanghai to the Independent Board Committee and the Independent Shareholders and a notice to convene the SGM to consider and, if thought fit, pass the necessary resolution to approve the Agreement.

THE AGREEMENT DATED 15 OCTOBER 2007

Parties

Vendor: Well Harvest Enterprises Limited, a company incorporated in BVI with limited liability and wholly and beneficially owned by Madam Ma, an executive Director. It is an investment holding company.

Purchaser: the Company

Assets to be acquired

Sale Shares: the 100 issued shares of US$1 each in the capital of Wellrich beneficially owned by the Vendor, representing the entire issued share capital of Wellrich

Loan: all interest free unsecured loans advanced by the Vendor to Wellrich as at the Completion Date. As at 30 June 2007, the loans advanced by the Vendor amounted to HK$254,243,407

The Agreement was entered into between the Vendor and the Purchaser further to their memorandum of understanding dated 28 August 2007, details of which are contained in the Company's announcement dated 28 August 2007.

Consideration and payment

The total consideration for the Sale Shares and the Loan of HK$355.6 million was arrived at after arm's length negotiations between the Company and the Vendor and represents a discount of approximately 12.04% to the sum of (i) the net liabilities attributable to equity holder of Wellrich of HK$37,579,589 as at 30 June 2007; (ii) the revaluation surplus of the Properties attributable to Wellrich of approximately HK$187,625,815, which is determined by the valuation of the Properties by the Valuer as at 31 August 2007; and (iii) HK$254,243,407, being the loans advanced by the Vendor as at 30 June 2007.

Upon completion of the Agreement, HK$120 million of the total consideration for the Acquisition shall be paid in cash and HK$235.6 million to be satisfied by the issue and allotment of the 699,109,792 Consideration Shares, credited as fully paid and each ranking pari passu with the existing shares of the Company in all respects, representing an issue price of HK$0.337 per Share. The HK$120 million will be financed by internal resources of the Company.

Consideration Shares

The issue price of HK$0.337 per Consideration Share represents:

(a) a premium of approximately 2.12% over the closing price of HK$0.33 per Share as quoted on the Stock Exchange on 15 October 2007 (being the last trading day in the Shares prior to the suspension of trading in the Shares pending the issue of the announcement of the Company dated 17 October 2007);

(b) the average closing price of HK$0.337 per Share based on the daily closing prices as quoted on the Stock Exchange for the 5 trading days up to and including 15 October 2007;

(c) a discount of approximately 1.89% to the average closing price of HK$0.3435 per Share based on the daily closing prices as quoted on the Stock Exchange for the 10 trading days up to and including 15 October 2007;

(d) a premium of approximately 99.41% over the audited net asset value per Share of the Company of approximately HK$0.169 as at 31 March 2007;

(e) a premium of approximately 36.99% over the audited consolidated net asset value per Share of approximately HK$0.246 as at 31 March 2007; and

(f) a premium of approximately 12.33% over the closing price of HK$0.30 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The issue price of HK$0.337 per Consideration Share was arrived at after arm's length negotiations. The Directors are of the view that the issue price is fair and reasonable.

Based on 2,699,121,600 Shares in issue as at the Latest Practicable Date, the 699,109,792 Consideration Shares represent approximately 25.90% of the existing issued share capital of the Company and approximately 20.57% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares. There is no restriction to the subsequent sale of the Consideration Shares. The issue of the Consideration Shares will not result in a change of control of the Company.

On 28 September 2007, the Shareholders granted a general mandate to the Directors to issue up to 539,824,320 new Shares. No shares had been issued under such general mandate up to the Latest Practicable Date and the Consideration Shares will not be issued pursuant thereto. Instead the approval of the Independent Shareholders to the Agreement and the allotment and issue of the Consideration Shares will be sought at the SGM. Application has been made by the Company to the Listing Committee of the Stock Exchange for the granting of the listing of and permission to deal in the Consideration Shares.

Conditions and completion

Completion of the agreement is conditional upon:

(a) the passing at a general meeting of the Company of resolutions to approve the Agreement and the issue and allotment of the Consideration Shares;

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

(c) the Company completing a review of the financial, trading and legal position of Wellrich and such review not revealing any breach of the representations, warranties or undertakings of the Vendor in respect of Wellrich Group under the Agreement; and

(d) the Company being reasonably satisfied that the JV Company has good marketable title to the Properties.

If the conditions are not fulfilled on or before 31 January 2008 (or such other date as the parties may agree), the Agreement will lapse. None of the above conditions can be waived by the parties to the Agreement.

Completion of the Acquisition shall take place on the fifth business day after the above conditions have been fulfilled (or such other date as may be agreed by the parties).

Other arrangements

The parties have agreed to the following arrangements after completion of the Agreement:

1. The Company shall procure the JV Company to proceed to apply to the relevant PRC authorities for approval for the redevelopment of Property I into a commercial/residential complex (the "Redevelopment").

2. If the relevant PRC authorities approve the Redevelopment and determine that a premium and/or other monies are payable by the JV Company to any PRC authorities therefor (the "Premium"), the parties shall jointly appoint the Valuer (or such other independent valuer as may be agreed by the parties hereto) to make a valuation of the market value of Property I on the basis of the Redevelopment subject to the terms of approval thereof by the relevant PRC authorities as at the date of such approval (the "Valuation").

3. If the Valuation is less than the aggregate of RMB360 million (approximately HK$374,472,000) (being the valuation of Property I as at 31 August 2007 referred to in the section headed "the Properties" below) and the Premium, the Vendor shall:

   (a) pay 94% of the shortfall in cash to the Purchaser; or

   (b) repurchase the Sale Shares and the Loan at the total cash consideration of HK$355.6 million (being equal to the consideration which will have been paid pursuant to the Agreement) plus a sum equal to the interest on HK$120 million at the rate of 4% per annum from the Completion Date to the date of completion of such repurchase (the "Interest").

4. If (a) the application for the Redevelopment is rejected by the relevant PRC authorities; or (b) all necessary approvals for the Redevelopment are not granted by the relevant PRC authorities within five years from the Completion Date, the Vendor shall repurchase the Sale Shares and the Loan at the consideration equal to HK$355.6 million (being equal to the consideration to paid pursuant to the Agreement) plus the Interest.

INFORMATION ON WELLRICH AND THE JV COMPANY

Wellrich is a company incorporated in BVI on 21 June 1993 with a total issued share capital of US$100. It is beneficially wholly owned by the Vendor. The major asset of Wellrich is its 94% interest in the JV Company. The remaining 6% interest in the JV Company is owned by a PRC party. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the PRC party and its ultimate beneficial owners are third parties independent of the Company and connected persons (as defined in the Listing Rules) of the Company.

The JV Company is a sino-foreign cooperative joint venture established in the PRC on 8 December 1993 with an operation period up to 7 December 2043. The registered capital and the total investment amount of the JV Company are US$12,142,400 (approximately HK$94,710,720), which has been fully paid, and US$30,355,900 (approximately HK$236,776,020) respectively. The major assets of the JV Company are the Properties.

The Vendor acquired the Wellrich Group in 1999. The total original purchase cost of the assets to the Vendor was about HK$254,243,407, which is equal to the total amount of loans advanced by the Vendor to Wellrich as at 30 June 2007.

THE PROPERTIES

The Properties consist of Property I and Property II.

Property I is located at No. 9 Duan Zhou Wu Road, Zhaoqing, Guangdong Province, the PRC and comprises a site having a total site area of approximately 26,198 sq.m. with various buildings completed in 1994 and 2001. It is occupied and operated as a hotel under the business name of 皇朝酒店 (Dynasty Hotel) with a total gross floor area of approximately 53,843 sq.m. The land lot is currently held with land use rights for a 70 year term expiring on 14 September 2064 for commercial and services uses.

As the Company plans to redevelop Property I into a commercial/residential complex, Property I has been valued by the Valuer based on the special assumptions that it had been granted with a term of 70 years for residential uses and 40 years for commercial uses from the date of valuation with a total redevelopment plot ratio of 3; and that the land use rights premium and other relevant fees for that had been fully settled and the grantee had free and uninterrupted rights to use the property and was entitled to transfer the property interest with the residual terms without payment of any further premium or onerous fee to the government. The land of Property I was valued by the Valuer, based on the direct comparison approach and the aforesaid assumptions, at the amount of RMB360 million (approximately HK$374,472,000) as at 31 August 2007.

Property II is the land portion of a car repairing workshop located to the north of Yingbin Dadao, Zhaoqing, Guangdong Province, the PRC with a total site area of approximately 10,446 sq. m. The JV Company has land use rights of Property II from 17 March 2000 to 16 March 2050. It is leased to 肇田汽車服務有限公司(Zhaotian Automobile Service Company Limited) for a term of 5 years from 1 May 2005 at a monthly rental of RMB25,314. Property II was valued by the Valuer, based on the direct comparison approach, at the amount of RMB3,700,000 (approximately HK$3,848,740) as at 31 August 2007.

FINANCIAL REVIEW OF THE WELLRICH GROUP

The accountants' report of the Wellrich Group is set out in Appendix I to this circular. All the financial statements of the Wellrich Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards.

For the year ended 31 December 2004

Turnover

The Wellrich Group owns and operates the hotel under the business name of Dynasty Hotel (the "Hotel") in Zhaoqing, the PRC. Revenue was about HK$65 million. The Wellrich Group recorded profits after extraordinary items and (i) before and (ii) after taxation for the year ended 31 December 2004 of about (i) HK$3.2 million and (ii) HK$1.9 million respectively. Other than the operation of the Hotel, there were no new business introduced; no material acquisitions and disposals of subsidiaries and associates companies of Wellrich; and no material investments for the year.

Cost of operations

Cost of operations (inclusive of cost of operation and administrative expenses) for the year was about HK$44 million. Administrative expenses of about HK$18.6 million and operating expense of about HK$25.4 million were recorded for this year.

Property, plant and equipment

Property, plant and equipment amounted to about HK$192 million as of 31 December 2004 which included the hotel property.

Liquidity and capital resources

As at 31 December 2004, the Wellrich Group's current ratio was 0.098 with currents assets of about HK$26.6 million against current liabilities of about HK$271 million (which essentially represented amount due to a shareholder of about HK$246 million.) Cash and cash equivalents totalled about HK$14 million. The Wellrich Group had bank borrowing of about HK$4.9 million during the year. The gearing ratio of Wellrich Group as at 31 December 2004 was approximately 1.15 with total liabilities of about HK$271 million and total assets of about HK$237 million.

As at 31 December 2004, part of the Group's hotel building having a net book value of approximately HK$108.3 million has been charged to secure the general banking facilities granted to the Group.

The Wellrich Group did not have any contingent liabilities as at 31 December 2004.

Dividend

The Wellrich Group did not pay any dividend for the year ended 31 December 2004.

Employees and remuneration policies

As at 31 December 2004, the Wellrich Group employed a full-time workforce of about 881. Total staff costs amounted to about HK$8.8 million. Employees were remunerated according to their education background, professional qualification, if any, the nature of their jobs and market trend with built-in merit components incorporated in the annual increment to reward and motivate individual performance. No bonus was paid and there was no share option scheme or similar incentive scheme for the Wellrich Group.

Exposures to fluctuations in exchange rate

The Hotel received Renminbi from trading and paid Renminbi to creditors. There was no exchange risk.

For the year ended 31 December 2005

Turnover

The Wellrich Group owns and operates the Hotel in Zhaoqing, PRC. Revenue was about HK$65.6 million. The Wellrich Group recorded profits after extraordinary items and (i) before and (ii) after taxation for the year ended 31 December 2005 of about (i) HK$2.3 million and (ii) HK$1.5 million respectively. Other than the operation of the Hotel, there were no new business introduced; no material acquisitions and disposals of subsidiaries and associates companies of Wellrich; and no material investments for the year.

Cost of operations

Cost of operations (inclusive of cost of operation and administrative expenses) for the year was about HK$46 million. Administrative expenses of about HK$18.5 million and operating expense of about HK$27.5 million were recorded for this year.

Property, plant and equipment

Property, plant and equipment amounted to about HK$193.1 million as of 31 December 2005 which included the hotel property.

Liquidity and capital resources

As at 31 December 2005, the Wellrich Group's current ratio was 0.069 with currents assets of about HK$18 million against current liabilities of about HK$262 million (which essentially represented amount due to a shareholder of about HK$242.2 million.) Cash and cash equivalents totalled about HK$7.3 million. The Wellrich Group had no bank borrowing during the year. No assets has been charged as at 31 December 2005.

The Wellrich Group did not have any contingent liabilities as at 31 December 2005.

Dividend

The Wellrich Group did not pay any dividend for the year ended 31 December 2005.

Employees and remuneration policies

As at 31 December 2005, the Wellrich Group employed a full-time workforce of about 864. Total staff costs amounted to about HK$9.7 million. Employees were remunerated according to their education background, professional qualification, if any, the nature of their jobs and market trend with built-in merit components incorporated in the annual increment to reward and motivate individual performance. No bonus was paid and there was no share option scheme or similar incentive scheme for the Wellrich Group.

Exposures to fluctuations in exchange rate

The Hotel received Renminbi from trading and paid Renminbi to creditor. There was no exchange risk.

For the year ended 31 December 2006

Turnover

The Wellrich Group owns and operates the Hotel in Zhaoqing, PRC. Revenue was about HK$71 million. The Wellrich Group recorded profits after extraordinary items and (i) before and (ii) after taxation for the year ended 31 December 2006 of about (i) HK$2.5 million and (ii) HK$1.5 million respectively. Other than the operation of the Hotel, there were no new business introduced; no material acquisitions and disposals of subsidiaries and associates companies of Wellrich; and no material investments for the year.

Cost of operations

Cost of operations (inclusive of cost of operation and administrative expenses) for the year was about HK$49.3 million. Administrative expenses of about HK$20.3 million and operating expense of about HK$29 million were recorded for this year.

Property, plant and equipment

Property, plant and equipment amounted to about HK$184.2 million as of 31 December 2006 which included the hotel property.

Liquidity and capital resources

As at 31 December 2006, the Wellrich Group's current ratio was 0.098 with currents assets of about HK$25.3 million against current liabilities of about HK$257.8 million (which essentially

represented amount due to a shareholder of about HK$239.8 million.) Cash and cash equivalents totalled about HK$9.9 million. The Wellrich Group had no bank borrowing during the year. No assets has been charged as at 31 December 2006.

The Wellrich Group did not have any contingent liabilities as at 31 December 2006.

Dividend

The Wellrich Group did not pay any dividend for the year ended 31 December 2006.

Employees and remuneration policies

As at 31 December 2006, the Wellrich Group employed a full-time workforce of about 820. Total staff costs amounted to about HK$10.4 million. Employees were remunerated according to their education background, professional qualification, if any, the nature of their jobs and market trend with built-in merit components incorporated in the annual increment to reward and motivate individual performance. No bonus was paid and there was no share option scheme or similar incentive scheme for the Wellrich Group.

Exposures to fluctuations in exchange rate

The Hotel received Renminbi from trading and paid Renminbi to creditor. There was no exchange risk.

For the six months ended 30 June 2007

Turnover

The Wellrich Group owns and operates the Hotel in Zhaoqing, PRC. Revenue was about HK$35.6 million. The Wellrich Group recorded profit after extraordinary items and before taxation for the period of about HK$27,000 and the loss after extraordinary items and taxation for the period of about HK$46,000. Other than the operation of the Hotel, there were no new business introduced; no material acquisitions and disposals of subsidiaries and associates companies of Wellrich; and no material investments for the period.

Cost of operations

Cost of operations (inclusive of cost of operation and administrative expenses) for the year was about HK$25.5 million. Administrative expenses of about HK$10.5 million and operating expense of about HK$15 million were recorded for this period.

Property, plant and equipment

Property, plant and equipment amounted to about HK$182 million as of 30 June 2007 which included the hotel property.

Liquidity and capital resources

As at 30 June 2007, the Wellrich Group's current ratio was 0.144 with currents assets of about HK$39 million against current liabilities of about HK$270.1 million (which essentially represented amount due to a shareholder of about HK$254.2 million.) Cash and cash equivalents totalled about HK$25 million. The Wellrich Group had no bank borrowing during the period. No assets has been charged as at 30 June 2007.

The audited net liabilities attributable to the equity holder of Wellrich was about HK$37.6 million as at 30 June 2007.

The Wellrich Group did not have any contingent liabilities as at 30 June 2007.

Dividend

The Wellrich Group did not pay any dividend for the period ended 30 June 2007.

Employees and remuneration policies

As at 30 June 2007, the Wellrich Group employed a full-time workforce of about 801. Total staff costs amounted to about HK$5.8 million. Employees were remunerated according to their education background, professional qualification, if any, the nature of their jobs and market trend with built-in merit components incorporated in the annual increment to reward and motivate individual performance. No bonus was paid and there was no share option scheme or similar incentive scheme for the Wellrich Group.

Exposures to fluctuations in exchange rate

The Hotel received Renminbi from trading and paid Renminbi to creditor. There was no exchange risk.

CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY

	As at the Latest Practicable Date		**Upon completion of the Acquisition**	
	Number of Shares	*%*	*Number of Shares*	*%*
World Possession, Madam Ma, Mr. Yeung and Ms. Yeung and their respective associates	1,489,550,686	55.186	2,188,660,478	64.406
3 executive Directors other than those mentioned above *(Note)*	3,048,000	0.113	3,048,000	0.090
Public Shareholders	1,206,522,914	44.701	1,206,522,914	35.504
Total	2,699,121,600	100.000	3,398,231,392	100.000

Note: Messrs. Liu Yu Mo, Chung Siu Wah and Chik To Pan hold 1,048,000 Shares, 1,000,000 Shares and 1,000,000 Shares respectively.

REASONS FOR THE ACQUISITION

The Company and its subsidiaries are principally engaged in property investment, restaurant operations, provision of wedding services, entertainment business and retail trading of watches and wine.

Subsequent to completion of the disposal of 95% registered capital of Waldorf Holding Limited and the benefits of loan advanced to Waldorf Holding Limited in December 2006 as detailed in the announcement of the Company dated 3 November 2006, the Company has been looking for investment opportunities in the Greater China region with an objective to expand the business portfolio of the Group. As mentioned in an announcement of the Company dated 28 August 2007 in respect of a memorandum of understanding of the same date relating to the proposed acquisition, the Company intends to expand its property portfolio in the PRC and considers Property I has good redevelopment potential for commercial and residential uses. Property II will continue to be used for rental purpose. The Directors are of the opinion that the Acquisition is in line with the corporate strategy of the Group which includes property investment in the PRC and provides an opportunity for the Company to broaden its business scope. The Directors consider that the terms of the Agreement are normal commercial terms, fair and reasonable and the Acquisition is conducted in the ordinary course of business and in the interests of the Company and the Shareholders as a whole.

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

As mentioned in the 2007 annual report of the Company, the turnover of the Group for the year ended 31 March 2007 was about HK$202.1 million, representing a decrease of 4.3% as compared to that of last year. The decrease was mainly due to the wedding services operations. The Group achieved a profit of HK$50.8 million for the year, an increase of 19.8% as compared to last year. The profit was mainly attributable to the gain of HK$81.5 million arising on the disposal of the hotel operations in Macau, rental income of HK$4 million from investment properties, and income of HK$2 million from Chiu Chow restaurant operations. However the wedding services business recorded a loss of about HK$33.9 million, HK$19 million of which related to an impairment loss of goodwill. The profit was further reduced by a loss of HK$6.1 million from the business of collection of fees for licensing of copyright to karaoke music products to karaoke operators in the PRC, a loss of about HK$3.6 million from entertainment operations and a loss of HK$5.9 million from Japanese restaurant operations.

The Group will continue its current principal activities of provision of wedding services, property investment, restaurant operations, retail of watches and wine, collection of fees for licensing of karaoke music products in the PRC and entertainment business. The Group's financial position is strong with a net asset value of about HK$646 million.

Currently, the Group has 2 shops in Kowloon Tong and Tsimshatsui which provide wedding services. It has implemented cost control measures to ensure that the business will be back on

track after closing down the loss making branches. The Group believes the new operation relating to collection of fees for licensing of copyright to karaoke music products to karaoke operators in the PRC will broaden the income source of the Group and facilitate the Group to build up a distribution network of karaoke operators in the PRC for future expansion of the Group's business. In May 2007, the Group completed the acquisition of Shenzhen Land Company Limited, which holds interest in Levels 1 to 3 of Yidong Building in Yuexiu District, Guangzhou, the PRC with a gross floor area of about 4,042.77 sq.m. for a term expiring on 31 January 2040 for a cash consideration of HK$48 million. The Group plans to hold this property as investment property for steady rental income.

The Group is seeking new direction in respect of its entertainment business in Hong Kong. It plans to invest in production of films and television series in the PRC and has entered into a joint venture agreement with an independent PRC party with a view to explore the entertainment market in the PRC. The management will look for suitable investment opportunities to expand the business of the Group, including hotel operations.

Financial Review

Liquidity and financial resources

The Group finances its operations with internally generated resources. The Group maintains good business relationship with banks and has banking facilities available for future business development.

As at 31 March 2007, the Group had no bank borrowings. The gearing ratio of the Group, based on total bank borrowings to shareholders' equity, was 0% (2006: 23.5%) as at 31 March 2007.

The Group was able to generate sufficient cash flow from its operations to fulfil its repayment obligations and meet the cash requirements for its day-to-day operations for the year. No financial instrument was used for hedging.

Charges

At 31 March 2007, the carrying value of investment properties, leasehold land and buildings, interests in leasehold land for own use under operating leases and land premium charged as security for the Group's bank facilities of HK$52 million (2006: HK$252 million) amounted to HK$156 million (2006: HK$622.7 million).

Emolument Policy

As at 31 March 2007, the Group had a total of 318 employees. The Group remunerates its employees based on their performance, experience and prevailing industry practices.

The Group periodically reviews its remuneration package in order to attract, motivate and retain its employees. Discretionary bonuses are rewarded to staffs and directors based on the Group's profit and their performance.

The Company had a share option scheme for the employees and directors of the Group as incentive for them to contribute to the business and operation of the Group. The Group also provides in-house and external training courses for its staff to improve their skill and services.

FINANCIAL EFFECTS OF THE ACQUISITION ON THE GROUP

Upon completion of the Agreement, Wellrich will become a wholly owned subsidiary of the Company and the accounts of which will be consolidated into those of the Company.

As at 31 March 2007, the audited consolidated total assets of the Group amounted to approximately HK$786.5 million. Based on the unaudited pro forma assets and liabilities statement of the Enlarged Group as set out in Appendix III to this circular, the unaudited pro forma adjusted consolidated total assets of the Enlarged Group will be approximately HK$1,144.8 million. As at 31 March 2007, the audited consolidated total liabilities of the Group amounted to approximately HK$139.8 million. Based on the statement of unaudited pro forma assets and liabilities of the Enlarged Group set out in Appendix III to this circular, the unaudited pro forma adjusted consolidated total liabilities of the Enlarged Group will be approximately HK$195.8 million. It is expected that there will be no material adverse financial effect on the earnings of the Enlarged Group upon completion of the Agreement.

SGM

A notice convening the SGM to be held at Golden Island Bird's Nest Chiu Chau Restaurant, 2nd Floor, East Wing, Star House, Salisbury Road, Tsimshatsui, Kowloon, Hong Kong on 23 November 2007 at 3:00 p.m. is set out on pages 159 and 160 of this circular at which an ordinary resolution will be proposed to consider, and if thought fit, to approve the Agreement, voting of which will be taken on a poll. Whether or not you are able to attend the meeting in person, please complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's principal office at 2810-11, 28th Floor Shun Tak Centre, West Tower, 200 Connaught Road Central, Hong Kong as soon as practicable but in any event not less than 48 hours before the time appointed for the holding of the meeting. Completion and return of the accompanying from of proxy will not preclude you from attending and voting at the meeting should you so wish.

World Possession (the controlling Shareholder interested in 1,423,550,686 Shares, representing approximately 52.74% of the issued share capital of the Company as at the Latest Practicable Date), Madam Ma, Mr. Yeung and Ms. Yeung (all executive Directors, who hold the entire issued share capital of World Possession in equal shares and each of them interested in 22,000,000 Shares, in aggregate representing approximately 2.45% of the issued share capital of the Company as at the Latest Practicable Date), and their respective associates will abstain from voting at the SGM.

PROCEDURES TO DEMAND A POLL

According to the Bye-laws of the Company, before or on the declaration of the result of voting on a show of hands on a resolution by the chairman of a general meeting, a poll may be demanded by:

(a) 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 entitled to vote at the meeting; or

(b) 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 10% of total voting rights of all the members having the right to vote at the meeting; or

(c) 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 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 10% of the total sum paid up on all the shares conferring that right.

RECOMMENDATIONS

Your attention is drawn to the letters from the Independent Board Committee and First Shanghai which set out their recommendations in respect of the Acquisition and the principal factors considered by them in arriving at their recommendations.

ADDITIONAL INFORMATION

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

By order of the board of
United Power Investment Limited
Liu Yu Mo
Chief Executive Officer

UNITED POWER INVESTMENT LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 674)

7 November 2007

To the Independent Shareholders,

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION

We refer to the letter from the Board set out on pages 5 to 19 of the circular dated 7 November 2007 (the "Circular") of which this letter forms part. Capitalised terms used herein shall have the same meanings as those defined in the Circular unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to consider the terms of the Agreement and to advise the Independent Shareholders as to whether the terms of the Agreement are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole; and whether to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Agreement. First Shanghai has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

We wish to draw your attention to the letter from the Board and the letter of advice from First Shanghai to the Independent Board Committee and the Independent Shareholders which contains its advice in relation to the Agreement as set out in the Circular.

Having taken into account the principal factors and reasons considered and the opinion and recommendation given by First Shanghai as stated in its letter of advice as set out on pages 21 to 37 of the Circular, we consider that the terms of the Agreement are of normal commercial terms and are fair and reasonable and the Acquisition, entered into in the ordinary and usual course of business, is in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the ordinary resolution approving the Agreement to be proposed at the SGM.

Yours faithfully,
Independent Board Committee

Chan Lai Mei **Lee Wai Loun** **Lee Yuk Sang, Angus**

Independent Non-executive Directors

The following is the text of a letter received from First Shanghai setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the proposed major and connected transaction regarding the acquisition of the entire issued share capital of, and the benefit of all loans advanced to, Wellrich from the Vendor pursuant to the Agreement (the "Acquisition") for inclusion in this circular.

FIRST SHANGHAI CAPITAL LIMITED
19th Floor, Wing On House
71 Des Voeux Road Central
Hong Kong

7 November 2007

To the Independent Board Committee and
the Independent Shareholders

United Power Investment Limited
2810-11, 28th Floor
Shun Tak Centre West Tower
200 Connaught Road Central
Hong Kong

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION

INTRODUCTION

We refer to our engagement to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, details of which are set out in the circular of the Company dated 7 November 2007 (the "Circular") to the Shareholders, of which this letter forms a part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as those defined in the Circular.

As disclosed in the announcement of the Company dated 17 October 2007, on 15 October 2007, the Company entered into the Agreement with the Vendor, pursuant to which the Company as purchaser agreed to acquire the entire issued share capital of, and the benefit of all loans advanced to, Wellrich from the Vendor for an aggregate consideration of HK$355.6 million, of which, HK$120 million shall be paid in cash and the balance of HK$235.6 million to be satisfied by the issue and allotment of the 699,109,792 Consideration Shares, representing an issue price of HK$0.337 per Consideration Share.

As the aggregate applicable percentage ratio for the Acquisition and the Shenzhen Land Acquisition under the Listing Rules is more than 25% and less than 100%, the Acquisition constitutes a major transaction for the Company under Rule 14.08 of the Listing Rules. Save as the Shenzhen Land Acquisition, there is no other transaction with the Vendor which requires aggregation under Rule 14A.25 of the Listing Rules. As the Vendor is a company wholly and beneficially owned by Madam Ma, an executive Director, the Acquisition also constitutes a connected transaction for the Company under the Listing Rules and is subject to the approval of the Independent Shareholders at a general meeting with vote to be taken on a poll. World Possession (the controlling Shareholder interested in 1,423,550,686 Shares, representing approximately 52.74% of the issued share capital of the Company as at the date of the Circular), Madam Ma, Mr. Yeung, Ms. Yeung (all executive Directors, who hold the entire issued share capital of World Possession in equal shares and each of them interested in 22,000,000 Shares, in aggregate representing approximately 2.45% of the issued share capital of the Company as at the date of the Circular), and their respective associates will be required to abstain from voting at the SGM.

An independent board committee, comprising all the three independent non-executive Directors, namely Ms. Chan Lai Mei, Mr. Lee Wai Loun and Mr. Lee Yuk Sang, Angus, has been established to consider the Acquisition and the transactions contemplated under the Agreement and to advise the Independent Shareholders on the fairness and reasonableness in relation to the terms of the Acquisition and the transactions contemplated thereunder. As the independent financial adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to (i) whether the transactions are conducted on normal commercial terms and in the ordinary and usual course of business; (ii) whether the entering into of the Agreement is in the interests of the Company and the Shareholders as a whole; (iii) whether the terms of the Acquisition pursuant to the Agreement are fair and reasonable; and (iv) how the Shareholders should vote in respect of the resolution to approve the Agreement and the transactions contemplated thereunder at the SGM.

BASIS OF OUR OPINION

In putting forth our opinion and recommendations, we have relied on the accuracy of the information and representations included in the Circular and provided to us by the Directors and the Company, and have assumed that all such information and representations made or referred to in the Circular and provided to us by the Directors and the Company were true at the time they were made and continued to be true as at the date hereof. We have also relied on the information and representations provided to us regarding (i) the audited consolidated financial statements of the Wellrich Group; (ii) the unaudited pro forma financial information of the Enlarged Group prepared by BDO McCabe Lo Limited as set out in Appendices I and III to the Circular respectively; and (iii) the valuation report of the land and property prepared by Vigers Appraisal & Consulting Limited, an independent valuer, as set out in Appendix IV to the Circular. We have also assumed that all statements of belief, opinion and intention

made by the Directors in the Circular were reasonably made after due enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and have been advised by the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular.

We consider that we have reviewed sufficient information to reach an informed view and to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have not, however, conducted any independent verification of the information included in the Circular and provided to us by the Directors nor have we conducted any form of investigation into the business, affairs or future prospects of the Group and the Enlarged Group. We have taken reasonable steps as required under Rule 13.80 of the Listing Rules in forming our opinion.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendations as to the fairness and reasonableness of the terms of the Acquisition pursuant to the Agreement, we have taken into account the following principal factors and reasons:

1. Background of the Group

The Group is principally engaged in property investment, restaurant operations, provision of wedding services, entertainment business and retail trading of watches and wine.

According to the annual report of the Company for the year ended 31 March 2007 (the "Annual Report 2007"), revenue of the Group for the year ended 31 March 2007 was approximately HK$202.1 million, representing a decrease of approximately 4.3% as compared to that of approximately HK$211.2 million of the previous financial year. The decrease was mainly attributable to the wedding services operations. Nevertheless, the Group achieved a profit of approximately HK$50.8 million for the year ended 31 March 2007, representing an increase of approximately 19.8% as compared to that of approximately HK$42.4 million of the last year. The increase in profit was mainly attributable to the gain of approximately HK$81.5 million arising on the disposal of the hotel operations in Macau, rental income of approximately HK$4.0 million from investment properties, and income of approximately HK$2.0 million from Chiu Chow restaurant operations. However the wedding services business recorded a loss of approximately HK$33.9 million, HK$19.0 million of which related to an impairment loss of goodwill. The profit was further reduced by a loss of approximately HK$6.1 million from the business of collection of fees for licensing of copyright to karaoke music products to karaoke operators in the PRC, a loss of approximately HK$3.6 million from entertainment operations and a loss of approximately HK$5.9 million from the Japanese restaurant operations.

As at 31 March 2007, the Group had consolidated net asset value of approximately HK$646.7 million, net current assets of approximately HK$447.6 million and cash and cash equivalents of approximately HK$438.2 million; whilst it had no interest-bearing borrowings and hence a gearing ratio of zero, which therefore showed that the Group's financial position was healthy.

In May 2007, the Group completed the acquisition of Shenzhen Land Company Limited, which holds interest in Levels 1 to 3 of Yidong Building in Yuexiu District, Guangzhou, the PRC with a gross floor area of about 4,042.77 sq.m. for a term expiring on 31 January 2040. The Group has planned to hold this property as investment property for steady rental income. As stated in the Annual Report 2007, the Directors would look for suitable investment opportunities to expand the business of the Group, including hotel operations.

2. Reasons for and benefits of the Acquisition

As mentioned in the "Letter from the Board" of the Circular, subsequent to completion of the disposal of 95% registered capital of Waldorf Holding Limited and the benefits of loan advanced to Waldorf Holding Limited in December 2006 as detailed in the announcement of the Company dated 3 November 2006, the Company has been looking for investment opportunities in the Greater China region with an objective to expand the business portfolio of the Group. As further mentioned in an announcement of the Company dated 28 August 2007 in respect of a memorandum of understanding of the same date relating to the Acquisition, the Company intended to expand its property portfolio in the PRC and considered that Property I has good redevelopment potential for commercial and residential uses. Property II will continue to be used for rental purpose. The Directors are of the opinion that the Acquisition is in line with the corporate strategy of the Group which includes property investment in the PRC and provides an opportunity for the Company to broaden its business scope. The Directors also consider that the terms of the Agreement are of normal commercial terms and are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

Based on our understanding, the upward trend in the China property industry is evidenced by the growth of revenues from the sale of properties in the PRC. According to the statistical information published by the廣東省統計局 (Bureau of Statistics of Guangdong Province), Guangdong Province had a population of approximately 93.0 million as at 31 December 2006 and had experienced a substantial economic growth in the past ten years. The real GDP growth rate of Guangdong Province exceeded the average national growth rate for each of the past ten years and the per capita GDP of Guangdong Province was significantly higher than the national average. According to中華人民共和國國家統計局 (the National Bureau of Statistics of China) and 廣東省統計局 (Bureau of Statistics of Guangdong Province), in 2006, the gross domestic product ("GDP") of

Guangdong Province reached RMB2,596.86 billion which represented an approximate 14.1% growth when compared to that in 2005, whereas the GDP of China as a whole showed an approximate 10.7% increase during the same period. Further, people residing in urban and rural areas of Guangdong Province enjoyed a considerable increase in their per capita disposable income of approximately 8.4% and 8.3% respectively. Guangzhou is the largest city and commercial centre in Southern China and the capital of Guangdong Province, and it serves as a transportation hub for the Southern China region. According to the information published by 廣州市統計局 (Bureau of Statistics of Guangzhou City), Guangzhou had a population of approximately 9.8 million as at 31 December 2006. Guangzhou had experienced a high GDP growth rate for the seven years from 2000 to 2006. In 2006, Guangzhou's GDP reached approximately RMB606.8 billion, representing a per capita GDP of RMB62,210.8. Based on the same source of information, Guangzhou's GDP and per capita disposable income of urban residents had increased by approximately 14.7% and 7.3% respectively in 2006 when compared with that in 2005.

As also stated by the National Bureau of Statistics of China, foreign direct investment in Guangdong Province rose by approximately 17.4% in 2006. On the other hand, the number of overseas and local tourists visiting Guangdong Province increased by approximately 12.8% and 10.3% respectively. On this basis, we concur with the Directors' view that demand for commercial/residential properties in Guangdong Province, the PRC, is expected to be promising in the coming few years. Based on our discussion with the management of the Company, we understand that the PRC government imposed a series of austere measures targeted at rectifying the overheating of the property market. Because of these measures, the pace of growth in the PRC property market is expected to slow down in the short term. However, having considered the continuous growth on the economy in Guangdong Province as reflected by the growth of GDP and per capita disposable income as stated above, we share with the Directors' view that future demand in the commercial/residential property market in Guangdong Province, the PRC will continue to grow at a steady and healthy pace.

Having considered the reasons for the Acquisition and the prospects of the property market in the PRC and Guangdong Province in particular, we are of the view that the Acquisition is (i) in line with the business strategy of the Group; (ii) entered into in the ordinary and usual course of business of the Group as it is principally engaged in, among others, property investment; and (iii) in the interests of the Company and the Shareholders as a whole in the long run as it could better secure the Group's fixed asset investments for its future business expansion.

3. Background of the Wellrich Group

Wellrich is a company incorporated in BVI on 21 June 1993 with a total issued share capital of US$100. As at the date of the Circular, Wellrich is beneficially and wholly owned by the Vendor. The major asset of Wellrich is its 94% interest in the JV Company. The remaining 6% interest in the JV Company is owned by a PRC party. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the PRC party and its ultimate beneficial owners are third parties independent of the Company and connected persons (as defined in the Listing Rules) of the Company.

The JV Company is a sino-foreign cooperative joint venture established in the PRC on 8 December 1993 with an operation period up to 7 December 2043. The registered capital and the total investment amount of the JV Company are US$12,142,400 (approximately HK$94,710,720), which has been fully paid, and US$30,355,900 (approximately HK$236,776,020) respectively. The major assets of the JV Company are the Properties. Upon completion of the Acquisition, Wellrich will become a wholly owned subsidiary of the Company and its accounts will be consolidated into that of the Company.

The audited net profit of the Wellrich Group after extraordinary items and (i) before and (ii) after taxation for the year ended 31 December 2005 were approximately (i) HK$2,328,055 and (ii) HK$1,504,632 respectively. The audited net profit of the Wellrich Group after extraordinary items and (i) before and (ii) after taxation for the year ended 31 December 2006 were approximately (i) HK$2,496,257 and (ii) HK$1,539,719 respectively. The audited net liabilities attributable to equity holder of Wellrich was HK$37,579,589 as at 30 June 2007. Financial statements of the Wellrich Group have been prepared in accordance with the applicable Hong Kong Financial Reporting Standards.

The Vendor acquired the Wellrich Group in 1999. The total original purchase cost of the assets to the Vendor was approximately HK$254,243,407, which is equal to the total amount of loans advanced by the Vendor to Wellrich as at 30 June 2007.

4. Information of the Properties

The Properties consist of Property I and Property II.

Property I is located at No. 9 Duan Zhou Wu Road, Zhaoqing, Guangdong Province, the PRC and comprises a site having a total site area of approximately 26,198 sq.m. with various buildings completed in 1994 and 2001. It is occupied and operated as a hotel under the business name of 皇朝酒店 (Dynasty Hotel) with a total gross floor area of approximately 53,843 sq.m. The land lot is currently held with land use rights for a 70 year term expiring on 14 September 2064 for commercial and services uses.

As mentioned in the "Letter from the Board" of the Circular, the Company plans to redevelop Property I into a commercial/residential complex, Property I has been valued by the Valuer based on the special assumptions that it had been granted with a term of 70 years for residential uses and 40 years for commercial uses from the date of valuation with a total redevelopment plot ratio of 3; and that the land use rights premium and other relevant fees for that had been fully settled and the grantee had free and uninterrupted rights to use the property and was entitled to transfer the property interest with the residual terms without payment of any further premium or onerous fee to the government. Property I was valued by the Valuer, based on the direct comparison approach and the aforesaid assumptions, at the amount of RMB360 million (approximately HK$374,472,000) as at 31 August 2007.

Property II is the land portion of a car repairing workshop located to the north of Yingbin Dadao, Zhaoqing, Guangdong Province, the PRC with a total site area of approximately 10,446 sq. m. The JV Company has land use rights of Property II from 17 March 2000 to 16 March 2050. It is leased to 肇田汽車服務有限公司 (Zhaotian Automobile Service Company Limited) for a term of 5 years from 1 May 2005 at a monthly rental of RMB25,314. Property II was valued by the Valuer, based on the direct comparison approach, at the amount of RMB3,700,000 (approximately HK$3,848,740) as at 31 August 2007.

5. Consideration and valuation of the Consideration Shares

Basis for determining the consideration

The total consideration for the Sale Shares and the Loan of HK$355.6 million was arrived at after arm's length negotiations between the Company and the Vendor and represents a discount of approximately 12.04% to the sum of (i) the net liabilities attributable to equity holder of Wellrich of HK$37,579,589 as at 30 June 2007; (ii) the revaluation surplus of the Properties attributable to Wellrich of approximately HK$187,625,815, which is determined by the valuation of the Properties valued by the Valuer as at 31 August 2007; and (iii) HK$254,243,407, being the loans advanced by the Vendor as at 30 June 2007 (the "Sum Amount").

The Loan would be transferred from the Vendor to the Purchaser at its face value as at the Completion Date. If the amount of the Loan is deducted from the total consideration of HK$355,600,000, the net consideration for the Sale Shares only would be HK$101,356,593 which represents a considerable discount of approximately 32.45% to the adjusted net asset value of HK$150,046,226 (the "Adjusted NAV"), being the sum of (i) the net liabilities attributable to equity holder of Wellrich of HK$37,579,589 as at 30 June 2007; and (ii) the revaluation surplus of the Properties attributable to Wellrich of approximately HK$187,625,815, which is determined by the valuation of the Properties

valued by the Valuer as at 31 August 2007. The Board considers that the terms of the Agreement are of normal commercial terms and fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

As discussed with the Valuer, we understand that the Property I is currently used and operated as a hotel and is to be acquired by the Purchaser for future redevelopment purpose. The Property II is being leased for rental purpose. The Company shall procure the JV Company to proceed to apply to the relevant PRC authorities for approval for the redevelopment of Property I into a commercial/residential complex, details of the arrangements are set out below under the heading of "Other arrangements". In view of this, the Property I was valued by the Valuer on an open market basis by making reference to comparable market transactions in the localities with an assumption of a total redevelopment plot ratio of 3. We consider that the valuation methodology adopted by the Valuer is in line with the common market practice.

Although the Wellrich Group had been operating profitably for the three full financial years ended 31 December 2006, it had recorded a loss of HK$45,623 for the six months ended 30 June 2007 mainly because of the increases in depreciation charges of approximately HK$0.5 million, cost of sales of approximately HK$1.4 million and staff costs of approximately HK$1.0 million when compared with those incurred for the corresponding period in the previous financial year, which was partially off-set by the increase in rental income of approximately HK$1.5 million for the same period. Accordingly, it is not appropriate for us to estimate its profit for the full year ending 31 December 2007. Given earnings of the Wellrich Group for the full financial year ending 31 December 2007 are not available, we consider that comparison in terms of price-earnings ratio with other similar business is not practicable. As the Wellrich Group's assets substantially consist of the Properties, we consider that it would be more meaningful for us to consider the Adjusted NAV rather than to make reference to the past financial and operating performance of the Wellrich Group.

Based on the above analysis, we are of the view that the basis for determining the consideration is on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

The Loan

In addition, upon the Completion Date, the Loan advanced by the Vendor to Wellrich as at the Completion Date (balance of which was HK$254,243,407 as at 30 June 2007) will be assigned to the Purchaser.

Since the assignment of the Loan is based on the face value of the balance of the amount due to the Vendor by Wellrich which is part and parcel of the transactions contemplated under the Agreement, we are of the view that the assignment of the Loan under the Acquisition is fair and reasonable, and the terms of which are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

Upon completion of the Agreement, HK$120 million of the total consideration for the Acquisition shall be paid in cash and HK$235.6 million shall be satisfied by the issue and allotment of the 699,109,792 Consideration Shares, credited as fully paid and each ranking pari passu with the existing shares of the Company in all respects, representing an issue price of HK$0.337 per Consideration Share. The HK$120 million cash portion will be financed by the internal resources of the Company.

Having considered that (i) the total consideration is at a discount of approximately 12.04% to the Sum Amount; (ii) the net consideration attributable to the Sale Shares only of HK$101,356,593 is at a considerable discount of approximately 32.45% to the Adjusted NAV of approximately HK$150,046,226 of the Wellrich Group as at 30 June 2007; (iii) the methodologies adopted by the Valuer in valuing the relevant properties are in line with market practices; (iv) the Acquisition is in line with the Group's business strategy of future development; and (v) the Loan will be assigned by the Vendor to the Company at the face value at the Completion Date pursuant to the Agreement as being part and parcel of the transactions contemplated under the Agreement, we are of the view that the basis for determining the consideration is on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

Valuation of the Consideration Shares

Part of the consideration of HK$235.6 million will be satisfied by the issue and allotment of 699,109,792 Consideration Shares at an issue price of HK$0.337 (the "Issue Price") per Consideration Share, being the average closing price for the five trading days up to 15 October 2007, being the date of the Agreement (the "Last Trading Day").

(a) Comparison with historical trading price of the Shares

The Issue Price represents:

		Price/value per Share approximately *HK$*	**Premium/ (discount) approximately** *%*
(i)	Closing price per Share as quoted on the Stock Exchange on the Last Trading Day	0.330	2.12
(ii)	Average closing price per Share as quoted on the Stock Exchange for the last five trading days to the Last Trading Day	0.337	0.00
(iii)	Average closing price per Share as quoted on the Stock Exchange for the last ten trading days to the Last Trading Day	0.3435	(1.89)
(iv)	The audited consolidated net asset value per Share as at 31 March 2007	0.246	36.99
(v)	Closing price per Share as quoted on the Stock Exchange as at the Latest Practicable Date	0.300	12.33

As indicated in the above, we noted that the Issue Price (i) is equivalent to the average closing price of HK$0.337 per Share for the last five trading days up to 15 October 2007; (ii) generally represents a similar level to the recent trading price of the Shares as quoted from the Stock Exchange; and (iii) represents a considerable premium of approximately 36.99% over the audited consolidated net asset value per Share of approximately HK$0.246 as at 31 March 2007. Set out below is the average monthly closing prices of the Shares from 1 October 2006 to the Last Trading Day:

(b) Share price performance

	Month/period end closing price	Average daily closing price
	HK$	*HK$*
2006		
October	0.290	0.285
November	0.340	0.313
December	0.290	0.310
2007		
January	0.275	0.283
February	0.360	0.314
March	0.365	0.331
April	0.465	0.434
May	0.560	0.482
June	0.470	0.534
July	0.445	0.462
August	0.415	0.389
September	0.375	0.376
October (up to the Last Trading Day)	0.330	0.344

Source: Bloomberg

Based on the above, the average daily closing price of the Shares had risen from approximately HK$0.283 in January 2007 to approximately HK$0.534 in June 2007, but it started to drop thereafter to approximately HK$0.344 prior to the Last Trading Day. Accordingly, the Issue Price represents a similar level to the recent trading price of the Shares and it is at a slight premium of approximately 2.12% over the closing price of the Shares on the Last Trading Day. In respect of the considerable premium of approximately 36.99% over the Group's consolidated net asset value per Share as at 31 March 2007, we are of the view that the Issue Price of HK$0.337 is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

(c) Comparison with similar transactions

In assessing the fairness and reasonableness of the Issue Price, we have identified, on a best effort basis, 23 transactions (the "Consideration Shares Comparables") announced during the period from 3 July 2007 (i.e. being the first trading day since the second half of 2007) to the Last Trading Day by companies listed on the Main Board of the Stock Exchange involving (i) acquisition of assets and/or

equity interests in target companies and (ii) allotment and issue of shares to satisfy all or part of the consideration for the relevant acquisitions, details of which are as follows:

Date of announcement	Company name (stock code)	Issue price	Premium/(discount) of issue price over/to the closing price/average closing price immediately before the suspension of trading in the shares pending for the release of announcement	
			Closing price	5-day average
		HK$	%	%
15/10/2007	Hua Yi Copper Holdings Limited (559)	1.100	(6.36)	(1.82)
11/10/2007	Peking Apparel International Group Limited (761)	0.600	(63.19)	(59.13)
10/10/2007	Karce International Holdings Company Limited (1159)	0.330	(38.90)	(36.50)
9/10/2007	Chitaly Holdings Limited (1198)	1.700	(4.50)	(4.28)
2/10/2007	China Renji Medical Group Limited (648)	0.250	53.37	50.42
18/9/2007	Shanghai Allied Cement Limited (1060)	1.000	(76.70)	(75.00)
14/9/2007	Regent Pacific Group Limited (575)	1.070	(11.57)	(3.95)
12/9/2007	Sino Union Petroleum & Chemical International Limited (346)	1.440	6.70	5.40
11/9/2007	Chi Cheung Investment Company Limited (112)	2.660	(10.10)	(12.80)
30/8/2007	Vantage International (Holdings) Limited (15)	0.230	(14.81)	(14.81)
28/8/2007	Hycomm Wireless Limited (499)	0.100	(23.67)	(12.28)
24/8/2007	Huali Holdings (Group) Limited (3366)	3.400	(10.05)	(7.15)
15/8/2007	Orient Resources Group Company Limited (467)	1.610	(8.52)	(17.00)
6/8/2007	Vitop Bioenergy Holdings Limited (1178)	0.350	(2.78)	(6.17)
31/7/2007	Greater China Holdings Limited (431)	0.746	(0.53)	(0.53)
30/7/2007	Culturecom Holdings Limited (343)	0.213	(10.13)	(14.53)
27/7/2007	Fortune Telecom Holdings Limited (110)	2.191	(21.77)	(3.93)
24/7/2007	Uni-Bio Science Group Limited (690)	5.500	(17.40)	(8.50)
20/7/2007	Aurora Global Investment Holdings Limited (353)	0.500	(41.18)	(41.18)
16/7/2007	Paliburg Holdings Limited (617)	0.375	1.40	(0.30)
13/7/2007	Geely Automobile Holdings Limited (175)	1.250	(14.38)	(5.30)
11/7/2007	Texhong Textile Group Limited (2678)	1.450	3.57	0.00
4/7/2007	China Resources Power Holdings Company Limited (836)	17.110	(8.30)	(2.50)
	Highest		**53.37**	**50.42**
	Lowest		**(76.70)**	**(75.00)**
	Average		**(13.90)**	**(11.82)**
	The Company	**0.337**	**2.12**	**0.00**

Based on the above table, the premium/(discounts) represented by the issue prices of the Consideration Shares Comparables over/(to) their respective closing prices on the last trading day before the suspension of trading in the shares pending for the release of announcement range from a discount of approximately 76.70% to a premium of approximately 53.37%. Upon comparison, we note that the relevant premium of the Company represented by the Issue Price per Consideration Share over the closing price of HK$0.330 per Share on the Last Trading Day of approximately 2.12% ranks the fourth highest as represented by the Consideration Shares Comparables. Further, the Issue Price is equivalent to the 5-day average closing price per Share up to the Last Trading Day which falls within the relevant range of the Consideration Shares Comparables. It is observable that the premium/(discount) represented by the issue prices of the Consideration Shares Comparables over/(to) their respective 5-day average closing prices prior to the relevant announcements demonstrate a similar phenomenon to that of the respective closing prices on the last trading day before the suspension of trading in the shares.

Based on the above, we consider that the Issue Price of the Consideration Shares is on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

6. Other arrangements

The parties have agreed to the following arrangements after completion of the Agreement:

(i) The Company shall procure the JV Company to proceed to apply to the relevant PRC authorities for approval for the redevelopment of Property I into a commercial/residential complex (the "Redevelopment").

(ii) If the relevant PRC authorities approve the Redevelopment and determine that a premium and/or other monies are payable by the JV Company to any PRC authorities therefor (the "Premium"), the parties shall jointly appoint the Valuer (or such other independent valuer as may be agreed by the parties hereto) to make a valuation of the market value of Property I on the basis of the Redevelopment subject to the terms of approval thereof by the relevant PRC authorities as at the date of such approval (the "Valuation").

(iii) If the Valuation is less than the aggregate of RMB360 million (approximately HK$374,472,000) (being the valuation of Property I as at 31 August 2007 referred to in the sub-paragraph headed "Information of the Properties" above) and the Premium, the Vendor shall:

(a) pay 94% of the shortfall in cash to the Purchaser; or

(b) repurchase the Sale Shares and the Loan at the total cash consideration of HK$355.6 million (being equal to the consideration which will have been paid pursuant to the Agreement) plus a sum equal to the interest on HK$120 million at the rate of 4% per annum from the Completion Date to the date of completion of such repurchase (the "Interest").

(iv) If (a) the application for the Redevelopment is rejected by the relevant PRC authorities; or (b) all necessary approvals for the Redevelopment are not granted by the relevant PRC authorities within five years from the Completion Date, the Vendor shall repurchase the Sale Shares and the Loan at the consideration equal to HK$355.6 million (being equal to the consideration to paid pursuant to the Agreement) plus the Interest.

Given that the above arrangements would compensate or allow the Purchaser to sell back the Sale Shares and the Loan to the Vendor at the original consideration of HK$355.6 million plus the Interest, as the case might be, we consider that the above arrangements are fair, reasonable and in the interests of the Company and the Shareholders as a whole.

7. Financial effects of the Acquisition on the Group

Earnings

Based on our discussion with the management of the Company, we understand that the Company plans to redevelop the Property I into a commercial/residential complex and Property II will continue to be used for rental purpose. Upon completion of the Acquisition, Wellrich will become a wholly owned subsidiary of the Company and the financial results of Wellrich will be consolidated into the Group after completion of the Acquisition. The Directors consider that the Acquisition will further contribute to the earnings base of the Group in the long run, but the quantification of such impact will depend on the future performance of the Wellrich Group after the redevelopment of the Property I. Since part of the aggregate consideration will be satisfied at the Completion Date by the issue and allotment of 699,109,792 Consideration Shares, the number of Shares in issue will increase from 2,699,121,600 Shares to 3,398,231,392 Shares. As a result, the earnings per share will drop from approximately 2.17 HK cents per Share to approximately 1.72 HK cents per Share immediately after completion of the Acquisition, based on the profit attributable to equity holders of the Company for the year ended 31 March 2007.

Net asset value

According to the Annual Report 2007, the audited consolidated net asset value of the Group was approximately HK$646.7 million as at 31 March 2007. Since the Company intends to finance the cash portion of the consideration under the Acquisition of approximately HK$120 million by internal resources, upon completion of the Acquisition, the current assets of the Group will be reduced by the payment of the cash consideration which will be offset by the corresponding increase in the assets and liabilities of Wellrich immediately following the completion as a result of the Acquisition because Wellrich will become a wholly owned subsidiary of the Company, and the assets and liabilities of which will be fully consolidated into the Enlarged Group.

According to the unaudited pro forma financial information of the Enlarged Group in Appendix III to the Circular, the unaudited pro forma consolidated net asset value of the Enlarged Group will increase from approximately HK$646.7 million as at 30 June 2007 to HK$937.0 million upon completion of the Acquisition, taking into consideration the assets and liabilities of the Wellrich Group as at 30 June 2007 and other pro forma adjustments. In addition, since the Issue Price is at a considerable premium of approximately 36.99% over the Group's consolidated net asset value per Share as at 31 March 2007, the net asset value per Share will likely increase upon completion of the Acquisition.

Working capital

Part of the aggregate consideration, being HK$120 million, will be financed by internal resources of the Company and the remaining balance of HK$235.6 million will be satisfied by the issue and allotment of the Consideration Shares. According to the Annual Report 2007, the Group had cash and cash equivalents of approximately HK$438.2 million, current assets of approximately HK$570.8 million and current liabilities of approximately HK$123.1 million as at 31 March 2007. This represents a current ratio of approximately 4.64 times (which is calculated as total current assets divided by total current liabilities of the Group) as at 31 March 2007. The Acquisition would have resulted in a decrease in net current assets by approximately HK$120 million if part of the total consideration would be settled by the Group's internal cash resources. As a result, the current ratio would be reduced to 3.66, representing a decrease of approximately 21.1%. Furthermore, taking into account the financial resources available to the Enlarged Group, including internally generated funds and the available banking facilities, the Directors are of the opinion that the Enlarged Group will have sufficient working capital to satisfy its present requirement for the next twelve months from the date of the Circular. Based on the unaudited pro forma balance sheet of the Enlarged Group as set out in Appendix III to the Circular, we noted that the working capital of the Enlarged Group will decrease from approximately HK$447.6 million to approximately HK$350.8 million upon completion of the Acquisition, taking into consideration the assets and liabilities of the Wellrich Group as at 30 June 2007 and other pro forma adjustments.

Gearing

As at 31 March 2007, the Group had no interest-bearing borrowings and hence a gearing ratio (which is calculated as total bank loans divided by the net assets value of the Group) of zero. Based on the unaudited pro forma financial information of the Enlarged Group following completion of the Acquisition as set out in Appendix III to the Circular, the pro forma gearing ratio would remain unchanged as zero upon completion of the Acquisition.

In light of the foregoing effect of the Acquisition on the earnings, net asset value, working capital as well as gearing position of the Group and the Enlarged Group, we are of the view that the Acquisition would have no significant adverse impact on the Group's financial position save and except for the reduction in working capital which is inevitable as the Group intends to finance the a considerable part of the aggregate consideration of HK$355.6 million under the Acquisition by its internal cash resources. Therefore, we are of the view that while the Group's cash resources would be reduced, the Acquisition is an effective utilisation of its cash resources which is aimed at positioning the Group for better growth in the future which, in the long run, is expected to benefit the Company and the Shareholders as a whole.

8. Dilution effect to the public Shareholders

The table below shows the shareholding structure of the Company as at the Latest Practicable Date and the assumed shareholding structure of the Company upon completion of the Acquisition:

	Issued Shares as at the Latest Practicable Date		**Issued Shares upon full completion of the Acquisition**	
	No. of Shares	*Approximate %*	*No. of Shares*	*Approximate %*
World Possession, Madam Ma, Mr. Yeung and Ms. Yeung and their respective associates	1,489,550,686	55.19	2,188,660,478	64.41
3 executive Directors other than those mentioned above	3,048,000	0.11	3,048,000	0.09
Public Shareholders	1,206,522,914	44.70	1,206,522,914	35.50
Total	**2,699,121,600**	**100.00**	**3,398,231,392**	**100.00**

Part of the aggregate consideration of HK$235.6 million will be satisfied at the Completion Date by the allotment and issue of 699,109,792 Consideration Shares at the issue price of HK$0.337 per Consideration Share. The Consideration Shares represent (i) approximately 25.90% of the existing issued share capital of the Company; and (ii) approximately 20.57% of the issued share capital of the Company as enlarged by the issue and allotment of the Consideration Shares. As at the Latest Practicable Date, the public Shareholders were interested in 1,206,522,914 Shares or approximately 44.70% of the issued share capital of the Company. Assuming there is no change in the issued share capital during the period from the Latest Practicable Date to the Completion Date, such corresponding shareholding will be diluted to approximately 35.50% after completion of the Acquisition. While the dilution effect on earnings per Share and shareholding is inevitable for issuance of new Shares to satisfy part of the aggregate consideration under the Acquisition, we consider that (i) the Acquisition corresponds with the overall business objective of the Group and may enhance its future development; (ii) the net asset value per Share would be enhanced as mentioned in the sub-paragraph headed "Net asset value" above; and (iii) by satisfying considerable part of the aggregate consideration by issue of Consideration Shares to the Vendor, the Group can, to certain extent, lessen its cash outflow and preserve its cash position while at the same time strengthen its equity and shareholder base, we consider that the benefits of the issue of the Consideration Shares might outweigh the dilution effect on the shareholding of the Company. Overall, we consider that such dilution effect to the public Shareholders is acceptable.

RECOMMENDATION

Having taken into account the above principal factors, in particular, (i) the long-term benefits of the Acquisition to the Group; (ii) the basis for determination of the aggregate consideration; (iii) the overall financial effects of the Acquisition to the Group; and (iv) the Acquisition is entered into in the ordinary and usual course business of the Group and that the terms of the Agreement are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, we are of the view that the Acquisition is in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolution to approve the Acquisition and the transactions contemplated under or in connection with the Agreement at the SGM.

Yours faithfully,
For and on behalf of
First Shanghai Capital Limited

Helen Zee	**Eric Lee**
Managing Director	*Executive Director*

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7 November 2007

The Directors
United Power Investment Limited

Dear Sirs,

We set out below our report on the financial information relating to Wellrich Investments Limited ("Wellrich") and its subsidiary (hereafter collectively referred to as the "Wellrich Group"), including the consolidated income statements, consolidated statements of changes in equity and consolidated cash flow statements for the three years ended 31 December 2004, 2005 and 2006 and the six months period ended 30 June 2007 (the "Relevant Periods") and the balance sheets and consolidated balance sheets as at 31 December 2004, 2005, 2006 and 30 June 2007 together with the notes thereto (the "Financial Information"), for inclusion in the circular of the United Power Investment Limited (the "Company") dated 7 November 2007, issued in connection with the proposed acquisition of the entire issued share capital of, and the benefits of all shareholder's loans to, Wellrich.

Wellrich was incorporated in the British Virgin Islands with limited liability on 21 June 1993 and has not carried out any business since the date of its incorporation save for its 94% equity investment in 肇慶星湖俱樂部 ("Star-Lake Club Zhaoqing"), a sino-foreign cooperative joint venture established in the People's Republic of China ("PRC") on 8 December 1993. The subsidiary has paid up registered capital of US$12,142,400, and is principally engaged in the ownership and management of a hotel property.

For the purpose of this report, the directors of the Wellrich have prepared its consolidated financial statements for the Wellrich Group in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the Relevant Periods (the "Underlying Financial Statements"). We have carried out an independent audit on the Underlying Financial Statements in accordance with the Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information of Wellrich Group has been prepared by the directors of Wellrich based on the Underlying Financial Statements, with no adjustments made thereon, and on the basis set out in Section B below.

Directors' responsibility for the Financial Information

The directors of Wellrich are responsible for the preparation and the true and fair presentation of the Financial Information in accordance with HKFRSs issued by the HKICPA. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of Financial Information that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Reporting accountants' responsibility

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

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

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

We have not audited any financial information of companies comprising the Wellrich Group in respect of any period subsequent to 30 June 2007.

Opinion

In our opinion, for the purpose of this report and on the basis of presentation set out in Section B below, the Financial Information gives a true and fair view of Wellrich's and the Wellrich Group's state of affairs as at 31 December 2004, 2005 and 2006 and 30 June 2007 and of the Wellrich Group's results and cash flows for the Relevant Periods.

For the purpose of this report, we have also reviewed the unaudited financial information of the Wellrich Group including the unaudited consolidated income statement, unaudited consolidated statements of changes in equity and cash flow for the six months period ended 30 June 2006 (the "30 June 2006 Corresponding Information"), together with the notes thereon, for which the directors are responsible, in accordance with Hong Kong Standard on Review Engagements 2400 "Engagements to Review Financial Statements" issued by the HKICPA. A review consists principally of making enquiries of management and applying analytical procedures to the 30 June 2006 Corresponding Information and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. We have not performed an audit, and accordingly, we do not express an audit opinion on the 30 June 2006 Corresponding Information.

On the basis of our review of the 30 June 2006 Corresponding Information which does not constitute an audit, nothing has come to our attention that cause us to believe that the 30 June 2006 Corresponding Information is not prepared, in all material respects, in accordance with HKFRSs.

Without qualifying our opinion, we draw attention to note 2 to the Financial Information concerning its basis of preparation. At 30 June 2007, the Wellrich Group had net current liabilities of HK$231,094,537 and net liabilities of HK$33,774,654. As the Company has conditionally agreed to provide continuing financial support to the Wellrich Group after the Acquisition, the Financial Information has been prepared on a going concern basis, the validity of which is dependent on whether continuing financial support from the Company is forthcoming. The Financial Information does not include any adjustments that may be necessary if such financial support is not forthcoming. We consider that appropriate disclosures have been made in this respect.

A. FINANCIAL INFORMATION

Consolidated Income Statements

		Year ended 31 December			Unaudited six months ended 30 June	Six months ended 30 June
		2004	2005	2006	2006	2007
	Note	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Turnover	*6*	65,056,150	65,619,848	71,001,170	34,098,942	35,561,629
Cost of sales		(17,514,498)	(16,997,916)	(18,472,937)	(8,586,809)	(9,940,103)
Gross profit		47,541,652	48,621,932	52,528,233	25,512,133	25,621,526
Other income	*8*	379,108	143,191	119,162	45,698	90,863
Operating expenses		(25,446,018)	(27,544,736)	(29,016,136)	(13,792,521)	(15,016,505)
Administrative expenses		(18,588,829)	(18,484,035)	(20,291,438)	(9,861,095)	(10,494,811)
Other expenses		(166,207)	(42,381)	(527,705)	(9,478)	(3,090)
Profit from operations	*9*	3,719,706	2,693,971	2,812,116	1,894,737	197,983
Finance costs	*11*	(531,776)	(365,916)	(315,859)	(155,431)	(170,551)
Profit before income tax expense		3,187,930	2,328,055	2,496,257	1,739,306	27,432
Income tax expense	*12*	(1,239,265)	(823,423)	(956,538)	(641,170)	(73,055)
Profit/(loss) for the year/period		1,948,665	1,504,632	1,539,719	1,098,136	(45,623)
Attributable to:						
Equity holders of Wellrich		1,818,785	1,406,365	1,424,063	1,020,611	(54,523)
Minority interests		129,880	98,267	115,656	77,525	8,900
		1,948,665	1,504,632	1,539,719	1,098,136	(45,623)

Consolidated Balance Sheets

	Note	As at 31 December 2004 HK$	2005 HK$	2006 HK$	As at 30 June 2007 HK$
Assets					
Non-current assets					
Intangible assets	*15*	15,182,123	15,078,778	14,810,142	14,599,668
Property, plant and equipment	*16*	192,198,862	193,117,571	184,213,897	182,006,640
Deferred tax assets	*19*	2,573,887	1,759,060	786,392	713,575
		209,954,872	209,955,409	199,810,431	197,319,883
Current assets					
Inventories	*20*	4,015,402	4,201,056	4,560,791	4,328,080
Trade and other receivables	*21*	8,478,850	6,503,815	10,870,816	9,653,428
Cash and cash equivalents		14,096,831	7,260,239	9,872,751	25,076,003
		26,591,083	17,965,110	25,304,358	39,057,511
Liabilities					
Current liabilities					
Trade and other payables	*22*	(19,916,310)	(19,698,561)	(18,051,385)	(15,908,641)
Bank borrowings	*23*	(4,901,961)	—	—	—
Shareholders' loans	*24*	(246,643,747)	(242,238,634)	(239,810,376)	(254,243,407)
		(271,462,018)	(261,937,195)	(257,861,761)	(270,152,048)
Net current liabilities		(244,870,935)	(243,972,085)	(232,557,403)	(231,094,537)
Net liabilities		(34,916,063)	(34,016,676)	(32,746,972)	(33,774,654)
Capital and reserves attributable to equity holders of Wellrich					
Share capital	*25*	780	780	780	780
Reserves		(38,498,955)	(37,697,835)	(36,543,787)	(37,580,369)
Equity attributable to equity holders of Wellrich		(38,498,175)	(37,697,055)	(36,543,007)	(37,579,589)
Minority Interests		3,582,112	3,680,379	3,796,035	3,804,935
Capital deficiency		(34,916,063)	(34,016,676)	(32,746,972)	(33,774,654)

Balance Sheets

	Note	As at 31 December 2004 HK$	2005 HK$	2006 HK$	As at 30 June 2007 HK$
Assets					
Non-current assets					
Property, plant and equipment	*17*	690,000	1,658,311	1,270,419	1,076,473
Investment in a subsidiary	*18*	93,365,116	95,232,419	96,194,362	97,175,938
		94,055,116	96,890,730	97,464,781	98,252,411
Current assets					
Amount due from a subsidiary	*18*	145,933,703	144,587,534	141,425,173	154,553,569
Cash and cash equivalents		6,265,708	238,001	10,161	333,220
		152,199,411	144,825,535	141,435,334	154,886,789
Liabilities					
Current liabilities					
Shareholders' loans	*24*	246,643,747	242,238,634	239,810,376	254,243,407
Net current liabilities		(94,444,336)	(97,413,099)	(98,375,042)	(99,356,618)
Net liabilities		(389,220)	(522,369)	(910,261)	(1,104,207)
Capital and reserves					
Capital	*25*	780	780	780	780
Reserves		(390,000)	(523,149)	(911,041)	(1,104,987)
		(389,220)	(522,369)	(910,261)	(1,104,207)

Consolidated Statements of Changes in Equity

	Share capital	Exchange reserve	Retained deficit	Sub-total	Minority interests	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
At 1 January 2004	780	(3,790,010)	(38,987,009)	(42,776,239)	3,452,232	(39,324,007)
Profit for the year	—	—	1,818,785	1,818,785	129,880	1,948,665
Translation difference	—	2,459,279	—	2,459,279	—	2,459,279
At 31 December 2004 and 1 January 2005	780	(1,330,731)	(37,168,224)	(38,498,175)	3,582,112	(34,916,063)
Profit for the year	—	—	1,406,365	1,406,365	98,267	1,504,632
Translation difference	—	(605,245)	—	(605,245)	—	(605,245)
At 31 December 2005 and 1 January 2006	780	(1,935,976)	(35,761,859)	(37,697,055)	3,680,379	(34,016,676)
Profit for the year	—	—	1,424,063	1,424,063	115,656	1,539,719
Translation difference	—	(270,015)	—	(270,015)	—	(270,015)
At 31 December 2006 and 1 January 2007	780	(2,205,991)	(34,337,796)	(36,543,007)	3,796,035	(32,746,972)
Profit for the period	—	—	(54,523)	(54,523)	8,900	(45,623)
Translation difference	—	(982,059)	—	(982,059)	—	(982,059)
At 30 June 2007	780	(3,188,050)	(34,392,319)	(37,579,589)	3,804,935	(33,774,654)
At 1 January 2006	780	(1,935,976)	(35,761,859)	(37,697,055)	3,680,379	(34,016,676)
Profit for the period (unaudited)	—	—	1,020,611	1,020,611	77,525	1,098,136
Translation difference (unaudited)	—	(2,645,843)	—	(2,645,843)	—	(2,645,843)
At 30 June 2006	780	(4,581,819)	(34,741,248)	(39,322,287)	3,757,904	(35,564,383)

Consolidated Cash Flow Statements

	Year ended 31 December			Unaudited six months ended 30 June	Six months ended 30 June
	2004	2005	2006	2006	2007
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Cash flows from operating activities					
Profit before income tax expense	3,187,930	2,328,055	2,496,257	1,739,306	27,432
Adjustments for:					
Interest expense	282,082	102,560	—	—	—
Interest income	(68,259)	(83,874)	(115,508)	(42,593)	(90,863)
Depreciation	10,649,000	11,134,715	11,539,204	5,653,742	6,145,011
Amortisation	381,352	396,109	406,539	201,455	211,160
Loss on disposal of property, plant and equipment	2,040	6,016	14,450	9,478	3,090
Exchange difference	(6,220,190)	(4,153,780)	(1,930,026)	800,000	(1,002,367)
Operating profit before working capital changes	8,213,955	9,729,801	12,410,916	8,361,388	5,293,463
(Increase)/decrease in inventories	(128,332)	(185,654)	(359,735)	274,639	232,711
(Increase)/decrease in trade and other receivables	(4,028,130)	1,975,035	(4,367,001)	(4,363,838)	1,217,388
Decrease/(increase) in trade and other payables	40,340	(217,749)	(1,647,176)	(88,856)	(2,142,744)
(Decrease)/increase in shareholders' loans	(854,000)	(4,405,113)	(2,428,258)	(4,038,205)	14,433,031
Cash flow from operations	3,243,833	6,896,320	3,608,746	145,128	19,033,849
Income tax paid	(92,222)	—	—	—	—
Net cash flow from operating activities	3,151,611	6,896,320	3,608,746	145,128	19,033,849
Investing activities					
Purchase of property, plant and equipment	(3,300,375)	(9,357,094)	(6,174,534)	(1,203,036)	(3,993,114)
Purchase of intangible assets	(74,120)	(9,750)	—	—	—
Proceeds from disposal of property, plant and equipment	281,996	554,579	5,062,792	4,522,146	71,654
Interest received	68,259	83,874	115,508	42,593	90,863
Net cash used in investing activities	(3,024,240)	(8,728,391)	(996,234)	3,361,703	(3,830,597)
Financing activities					
Interest paid	(282,082)	(102,560)	—	—	—
Inception of bank loans	4,901,961	—	—	—	—
Repayment of bank loans		(4,901,961)	—	—	—
Net cash from/(used in) financing activities	4,619,879	(5,004,521)	—	—	—
Net increase/(decrease) in cash and cash equivalents	4,747,250	(6,836,592)	2,612,512	3,506,831	15,203,252
Cash and cash equivalents at beginning of year	9,349,581	14,096,831	7,260,239	7,260,239	9,872,751
Cash and cash equivalents at end of year	14,096,831	7,260,239	9,872,751	10,767,070	25,076,003

B. NOTES TO THE FINANCIAL INFORMATION

1. General

Wellrich was incorporated in the British Virgin Islands as a limited liability company on 21 June 1993. Wellrich has not carried out any business since its date of incorporation save for its 94% equity interest in 肇慶星湖俱樂部 ("Star-Lake Club Zhaoqing"), a sino-foreign cooperative joint venture.

This subsidiary was established in the People's Republic of China ("PRC") on 8 December 1993 with an operation period up to 7 December 2043. The principal place of business is located at No. 9 Duanzhou Wu Road, Zhaoqing, Guangdong, PRC. The subsidiary is principally engaged in the ownership and management of hotel. Other particulars of this subsidiary are set out on note 18 to the Financial Information.

2. Basis of preparation of Financial Information

The Financial Information have been prepared on a going concern basis notwithstanding that the Wellrich Group had recorded net current liabilities of HK$231,094,537 and net liabilities of HK$33,774,654 as at 30 June 2007 because the Company has conditionally agreed to provide continuing financial support to the Wellrich Group after the Acquisition. On this basis, the directors consider that the Wellrich Group will have sufficient working capital to finance its operations in the foreseeable future. Accordingly, the directors are satisfied that it is appropriate to prepare the Financial Information on a going concern basis. If the going concern basis is not appropriate, adjustments would have to be made to restate the values of the Wellrich Group's assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify their non-current assets as current assets.

3. Adoption of recently issued accounting standards

Potential impact arising on the new accounting standards not yet effective

The Wellrich Group has not yet applied the following new standards, amendment or interpretations that have been issued but are not yet effective. The directors of Wellrich anticipate that the application of these new HKFRSs will have no material impact on the Financial Information of the Wellrich Group.

HKAS 23 (Revised)	Borrowing Cost [4]
HKFRS 8	Operating Segments [4]
HK(IFRIC) — Interpretation 11	Company and Treasury Share Transactions [1]
HK(IFRIC) — Interpretation 12	Service Concession Arrangements [2]
HK(IFRIC) — Interpretation 13	Customer Loyalty Programmes [3]
HK(IFRIC) — Interpretation 14	HKAS 19 — The Limit on a Demand Benefit Asset, Minimum Funding Requirements and their Interaction [2]

[1] Effective for annual periods beginning on or after 1 March 2007
[2] Effective for annual periods beginning on or after 1 January 2008
[3] Effective for annual periods beginning on or after 1 July 2008
[4] Effective for annual periods beginning on or after 1 January 2009

4. Significant accounting policies

The Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The measurement basis used in the preparation of the Financial Information is historical cost, a summary of significant accounting policies adopted and consistently applied by the Wellrich Group in the preparation of the Financial Information is set out below.

Basis of consolidation and subsidiaries

Where Wellrich has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated Financial Information present the results of Wellrich and its subsidiaries as if they formed a single entity, inter-company balances and transactions and any unrealised profits arising from intra-company transactions are eliminated in full in preparing the consolidated Financial Information. Unrealised losses resulting from intra-company transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Minority interests at the balance sheet date, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Wellrich Group, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheets and statements of changes in equity within equity, separately from equity attributable to the equity shareholders of Wellrich.

Minority interests in the results of the Wellrich Group are presented on the face of the income statements as an allocation of the total profit or loss for the year between minority interests and the equity holders of Wellrich.

Where losses attributable to the minority exceed the minority interests in the equity of a subsidiary, the excess, and any further losses attributable to the minority, are charged against the Wellrich Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Wellrich Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Wellrich Group has been recovered.

In Wellrich's balance sheet, investment in subsidiaries are stated at cost less impairment loss, if any.

Revenue recognition

Hotel revenue is recognised when hotel rooms are occupied. Food and beverage revenues are recognised when the goods are consumed.

Rental income under operating leases is recognised on a straight-line basis over the term of the relevant lease.

Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

Foreign currency

Transactions entered into by group companies in currencies other than the currency of the primary economic environment in which it operates (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at 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 retranslation of unsettled monetary assets and liabilities are similarly recognised immediately in the income statement, except for foreign currency borrowings qualifying as a hedge of a net investment in a foreign operation.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in the income statement in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the income statement 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, in which cases, the exchange differences is also recognised directly in equity.

On consolidation, the results of foreign operation are translated into the presentation currency of the Wellrich Group (i.e. Hong Kong dollars) at the average rates for the year/period, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of overseas operations are translated at the rate ruling at the balance sheet date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised directly in equity, the foreign exchange reserve. Exchange differences recognised in the income statement of group entities' separate financial information on the translation of long-term monetary items forming part of the Wellrich Group's net investment in the overseas operation concerned are reclassified to the foreign exchange reserve.

Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax arises from temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes and is accounted for using the balance sheet liability method. Except for recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Externally acquired intangible assets

Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a straight-line basis over their estimated useful lives. The amortisation charge is included in administrative expenses. Their estimate useful lives are as follows:

Land use rights	50 years
Computer software	5 years

Property, plant and equipment

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

Property, plant and equipment are depreciated at rates sufficient to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The depreciation method, useful lives and residual value are reviewed at each balance sheet date. The principal annual rates are as follows:

Hotel property	
— Building	2%
— Leasehold improvements	5% — 20%
Machinery	4.5% — 9%
Furniture and fixtures	6% — 18%
Motor vehicles	18%
Other equipment	6% — 18%

The gain or loss arising on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and the carrying amount, and is recognised in the income statement on disposal.

Impairment of non-financial assets

At each balance sheet date, the Wellrich Group reviews the carrying amounts of property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

If the recoverable amount (i.e. the greater of the fair value less costs to sell and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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

Inventories

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

Financial instruments

(i) Financial assets

The Wellrich Group classified its financial assets as loans and receivables. These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), but also incorporate other types of contractual monetary asset. At each balance sheet date subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

An impairment loss is recognised in the income statement when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(ii) Financial liabilities

The Wellrich Group classified its financial liabilities as trade and other short-term monetary liabilities, which are recognised at amortised costs.

(iii) Derecognition

The Wellrich Group derecognises a financial asset where the contractual rights to the future cash flows in relation to the investment expire or where the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39. Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Employee benefits

Defined contribution retirement plans

Contributions to defined contribution retirement plans are recognised as an expense in the income statement when the services are rendered by the employees.

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Wellrich Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits than can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

5. Critical judgements and key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet dates, 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.

Useful lives and impairment assessment of property, plant and equipment

Property, plant and equipment are stated on the balance sheet at cost less accumulated depreciation and identified impairment losses. The estimation of their useful lives impacts the level of annual depreciation expense recorded. Property, plant and equipment are evaluated for possible impairment on a specific asset basis or in a group of similar assets, as applicable. This process requires management's estimate of future cash flows generated by each asset or group of assets. For any instance where this evaluation process indicates impairment, the appropriate asset's carrying values are written down to the recoverable amount and the amount of the write-down is charged against the results of operations.

6. Revenue

Revenue principally represents the income from hotel operations, provision of food and beverage and rental income from letting of shops in the hotel and property under operating leases and is summarised as follows:

	Year ended 31 December			Unaudited six months ended 30 June	Six months ended 30 June
	2004	**2005**	**2006**	**2006**	**2007**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Income from hotel operations	19,386,533	20,870,586	22,875,570	11,288,019	11,025,999
Provision of food and beverage	35,383,492	32,937,726	35,814,744	17,701,024	17,878,599
Rental income	10,286,125	11,811,536	12,310,856	5,109,899	6,657,031
	65,056,150	65,619,848	71,001,170	34,098,942	35,561,629

7. Segment information

No geographical segment information is presented as the entire operations of the Wellrich Group during the Relevant Periods were carried out in PRC.

No business segment information is presented as the principal business activity of the Wellrich Group is the operation of a hotel, which includes provision of food and beverage and letting of shops within the hotel property.

8. Other income

	Year ended 31 December			Unaudited six months ended 30 June	Six months ended 30 June
	2004	2005	2006	2006	2007
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Gains on disposal of property, plant and equipment	118	28,000	—	—	—
Income from other receivables	310,731	31,317	3,654	3,105	—
Interest income from bank deposits	68,259	83,874	115,508	42,593	90,863
	379,108	143,191	119,162	45,698	90,863

9. Profit from operations

Profit from operations is stated after charging:

	Year ended 31 December			Unaudited six months ended 30 June	Six months ended 30 June
	2004	2005	2006	2006	2007
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Depreciation	10,649,000	11,134,715	11,539,204	5,653,742	6,145,011
Amortisation	381,352	396,109	406,539	201,455	211,160
Cost of inventories recognised as expenses	17,514,498	16,997,916	18,472,937	8,586,809	9,940,103
Staff costs	11,438,059	12,471,450	13,800,147	6,825,189	7,779,830

10. Directors' and employees' emoluments

Details of directors' emoluments for the Relevant Periods are as follows:

	Year ended 31 December			Unaudited six months ended 30 June	Six months ended 30 June
	2004	2005	2006	2006	2007
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Directors					
— fee	—	—	—	—	—
— salaries and other benefits	—	—	—	—	—
	—	—	—	—	—

The emoluments paid or payable to the five highest paid individuals during the Relevant Periods are as follows:

	Year ended 31 December			Unaudited six months ended 30 June	Six months ended 30 June
	2004	2005	2006	2006	2007
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Employees					
— salaries and other benefits	268,741	286,291	302,024	149,664	157,685
— bonus	—	—	—	—	—
	—	—	—	149,664	157,685

Their emoluments are within the following bands:

	Number of Employees				
	As at 31 December			At 30 June	At 30 June
	2004	2005	2006	2006	2007
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Nil to HK$1,000,000	5	5	5	5	5

11. Finance costs

	Year ended 31 December			Unaudited six months ended 30 June	Six months ended 30 June
	2004	2005	2006	2006	2007
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Interest on:					
— secured bank borrowings on short term loans	282,082	102,560	—	—	—
Bank charges	249,694	263,356	315,859	155,431	170,551
	531,776	365,916	315,859	155,431	170,551

12. Income tax expense

The income tax expense for the Relevant Periods can be reconciled to the profit/(loss) before income tax expense as follows:

	Year ended 31 December			Unaudited six months ended 30 June	Six months ended 30 June
	2004	2005	2006	2006	2007
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Current tax:					
— underprovision for prior years	92,222	—	—	—	—
Deferred tax:					
— PRC	1,147,043	823,423	956,538	641,170	73,055
	1,239,265	823,423	956,538	641,170	73,055

No provision for PRC Enterprise Income Tax has been made as the Wellrich Group had accumulated tax losses available to offset against taxable profits.

The income tax expense for the Relevant Periods can be reconciled to the profit per the income statement as follows:

	Year ended 31 December			Unaudited six months ended 30 June	Six months ended 30 June
	2004	2005	2006	2006	2007
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Profit before income tax expense	3,187,930	2,328,055	2,496,257	1,739,306	27,432
Tax calculated at the applicable tax rate 33%	1,052,017	768,258	823,765	573,971	9,053
Tax effect of expenses not deductible for tax purposes	95,026	55,165	132,773	67,199	64,002
Underprovision for prior years	92,222	—	—	—	—
Income tax expense	1,239,265	823,423	956,538	641,170	73,055

13. Dividends

No dividends have been paid or declared during the Relevant Periods.

14. (Loss)/earnings per share

No earnings per share information have been presented as such information is not meaningful for the purpose of this report.

15. Intangible assets — *Wellrich Group*

	Land use rights	Computer software	Total
	HK$	*HK$*	*HK$*
Cost			
At 1 January 2004	17,155,324	—	17,155,324
Additions	—	74,120	74,120
Exchange difference	750,504	—	750,504
At 31 December 2004	17,905,828	74,120	17,979,948
Additions	—	9,750	9,750
Exchange difference	358,117	1,481	359,598
At 31 December 2005	18,263,945	85,351	18,349,296
Additions	—	—	—
Exchange difference	184,484	862	185,346
At 31 December 2006	18,448,429	86,213	18,534,642
Additions	—	—	—
Exchange difference	—	—	—
At 30 June 2007	18,448,429	86,213	18,534,642
Accumulated amortisation			
At 1 January 2004	2,300,414	—	2,300,414
Charge for the year	376,603	4,749	381,352
Exchange difference	115,866	193	116,059
At 31 December 2004	2,792,883	4,942	2,797,825
Charge for the year	379,884	16,225	396,109
Exchange difference	75,641	943	76,584
At 31 December 2005	3,248,408	22,110	3,270,518
Charge for the year	389,887	16,652	406,539
Exchange difference	46,629	814	47,443
At 31 December 2006	3,684,924	39,576	3,724,500
Charge for the period	202,511	8,649	211,160
Exchange difference	(659)	(27)	(686)
At 30 June 2007	3,886,776	48,198	3,934,974
Net book value			
At 30 June 2007	14,561,653	38,015	14,599,668
At 31 December 2006	14,763,505	46,637	14,810,142
At 31 December 2005	15,015,537	63,241	15,078,778
At 31 December 2004	15,112,945	69,178	15,182,123

The amortisation charges for the Relevant Periods are included in "Administrative expenses" in the income statements.

The above land is held under long-term lease and is located in PRC.

16. Property, plant and equipment — *Wellrich Group*

	Hotel property	Machinery	Furniture and fixtures	Motor vehicles	Other equipment	Leasehold improvements	Construction in progress	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Cost								
At 1 January 2004	137,191,891	48,408,321	6,517,376	4,277,161	16,125,360	36,019,302	173,833	248,713,244
Additions during the year	—	1,167,225	—	278,725	477,685	1,376,740	—	3,300,375
Written off during the year	—	—	—	—	(771,743)	—	—	(771,743)
Translation difference	6,001,821	2,117,751	285,119	139,868	705,446	1,575,759	7,605	10,833,369
At 31 December 2004	143,193,712	51,693,297	6,802,495	4,695,754	16,536,748	38,971,801	181,438	262,075,245
Additions during the year	—	41,552	—	1,621,460	317,275	7,376,807	—	9,357,094
Written off during the year	—	—	—	(1,071,722)	(1,852,234)	—	—	(2,923,956)
Translation difference	2,863,875	1,033,865	136,050	72,316	330,734	779,436	3,629	5,219,905
At 31 December 2005	146,057,587	52,768,714	6,938,545	5,317,808	15,332,523	47,128,044	185,067	273,728,288
Additions during the year	—	763,452	18,391	—	262,371	5,317,256	—	6,361,470
Written off during the year	—	—	(64,848)	—	(1,443,998)	(4,875,630)	(186,936)	(6,571,412)
Translation difference	1,475,329	533,018	70,086	34,124	154,874	476,041	1,869	2,745,341
At 31 December 2006	147,532,916	54,065,184	6,962,174	5,351,932	14,305,770	48,045,711	—	276,263,687
Additions during the period	—	55,831	—	239,784	789,086	2,908,413	—	3,993,114
Written off during the period	—	—	—	(329,857)	(417,494)	—	—	(747,351)
Translation difference	—	—	—	—	—	—	—	—
At 30 June 2007	147,532,916	54,121,015	6,962,174	5,261,859	14,677,362	50,954,124	—	279,509,450
Accumulated depreciation								
At 1 January 2004	17,690,600	11,957,423	2,295,393	1,851,661	7,980,582	15,039,562	—	56,815,221
Charge for the year	2,835,314	2,335,545	392,316	841,912	1,354,202	2,889,711	—	10,649,000
Written off for the year	—	—	—	—	(468,673)	—	—	(468,673)
Translation difference	888,570	617,548	116,282	98,703	384,939	774,793	—	2,880,835
At 31 December 2004	21,414,484	14,910,516	2,803,991	2,792,276	9,251,050	18,704,066	—	69,876,383
Charge for the year	2,860,018	2,385,418	395,734	823,763	1,237,755	3,432,027	—	11,134,715
Written off for the year	—	—	—	(673,534)	(1,584,521)	—	—	(2,258,055)
Translation difference	577,233	422,438	76,689	61,538	166,962	552,814	—	1,857,674
At 31 December 2005	24,851,735	17,718,372	3,276,414	3,004,043	9,071,246	22,688,907	—	80,610,717
Charge for the year	2,935,332	2,488,459	408,252	466,260	1,058,179	4,182,722	—	11,539,204
Written off for the year	—	—	(34,864)	—	(1,227,135)	—	—	(1,261,999)
Translation difference	355,050	267,160	46,327	30,281	85,641	377,409	—	1,161,868
At 31 December 2006	28,142,117	20,473,991	3,696,129	3,500,584	8,987,931	27,249,038	—	92,049,790
Charge for the period	1,524,641	1,306,387	210,670	238,260	540,778	2,324,275	—	6,145,011
Written off for the period	—	—	—	(297,840)	(376,973)	—	—	(674,813)
Translation difference	(4,963)	(4,253)	(686)	823	(533)	(7,566)	—	(17,178)
At 30 June 2007	29,661,795	21,776,125	3,906,113	3,441,827	9,151,203	29,565,747	—	97,502,810
Net book value								
At 30 June 2007	117,871,121	32,344,890	3,056,061	1,820,032	5,526,159	21,388,377	—	182,006,640
At 31 December 2006	119,390,799	33,591,193	3,266,045	1,851,348	5,317,839	20,796,673	—	184,213,897
At 31 December 2005	121,205,852	35,050,342	3,662,131	2,313,765	6,261,277	24,439,137	185,067	193,117,571
At 31 December 2004	121,779,228	36,782,781	3,998,504	1,903,478	7,285,698	20,267,735	181,438	192,198,862

17. Property, plant and equipment — *Wellrich*

	Motor Vehicles *HK$*
Cost	
At 1 January 2004	1,080,000
Additions during the year	—
Written off during the year	—
At 1 January 2005	1,080,000
Additions during the year	1,459,460
Written off during the year	(600,000)
At 1 January 2006	1,939,460
Additions during the year	—
Written off during the year	—
At 1 January 2007	1,939,460
Additions during the period	—
Written off during the period	—
At 30 June 2007	1,939,460
Accumulated depreciation	
At 1 January 2004	174,000
Charge for the year	216,000
Written off for the year	—
At 1 January 2005	390,000
Charge for the year	161,149
Written off for the year	(270,000)
At 1 January 2006	281,149
Charge for the year	387,892
Written off for the year	—
At 1 January 2007	669,041
Charge for the period	193,946
Written off for the period	—
At 30 June 2007	862,987
Net book value	
At 30 June 2007	1,076,473
At 31 December 2006	1,270,419
At 31 December 2005	1,658,311
At 31 December 2004	690,000

18. Investment in a subsidiary

	Wellrich			
	As at 31 December			At 30 June
	2004	2005	2006	2007
	HK$	*HK$*	*HK$*	*HK$*
Unlisted shares, at cost	93,365,116	95,232,419	96,194,362	97,175,938
Amount due from a subsidiary	145,933,703	144,587,534	141,425,173	154,553,569

The amounts due from a subsidiary is unsecured, interest free and repayable on demand.

The following is the details of the subsidiary held during the Relevant Period:

Name	Place of incorporation and operation	Principal activity	Particulars of paid-up capital	Percentage of equity interest held 2004	2005	2006	2007
Held directly							
("Star-Lake Club Zhaoqing")	PRC	Hotel operations	RMB101,425,044	94%	94%	94%	94%

19. Deferred tax assets — *Wellrich Group*

The movements of deferred tax assets during the Relevant Periods are as follows:

	As at 31 December			At 30 June
	2004	2005	2006	2007
	HK$	*HK$*	*HK$*	*HK$*
At beginning of year/period	3,609,409	2,573,887	1,759,060	786,392
Charged for the year	(1,147,043)	(823,423)	(956,538)	(73,055)
Exchange difference	111,521	8,596	(16,130)	238
At end of year/period	2,573,887	1,759,060	786,392	713,575

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through future taxable profits is probable.

20. Inventories — *Wellrich Group*

	As at 31 December			At 30 June
	2004	2005	2006	2007
	HK$	*HK$*	*HK$*	*HK$*
Food, beverage and supplies	4,015,402	4,201,056	4,560,791	4,328,080

21. Other financial assets

Wellrich Group

	As at 31 December			At 30 June
	2004	**2005**	**2006**	**2007**
	HK$	*HK$*	*HK$*	*HK$*
Trade receivables	778,673	626,329	2,180,000	1,325,078
Deposits, prepayments and other receivables	7,695,152	5,872,260	8,683,211	6,197,176
Amount due from a related company 加美學校 ("Jia Mei Xue Xiao")	5,025	552	4,471	2,123,011
Amount due from a director Tsang Suet Fu	—	4,674	3,134	8,163
	8,478,850	6,503,815	10,870,816	9,653,428

Wellrich

	As at 31 December			At 30 June
	2004	**2005**	**2006**	**2007**
	HK$	*HK$*	*HK$*	*HK$*
Amount due from subsidiary	145,933,703	144,587,534	141,425,173	154,553,569

Trade receivables relate to the provision of hotel services to third parties. The average credit period is between 30 to 90 days. The directors consider that the carrying amounts of trade receivables approximates to their fair values.

The directors consider that the carrying amounts of other receivables and prepaid expense approximate to their fair values at the respective balance sheet dates.

At 31 December 2004, included in other receivables was an amount of HK$4,916,635 that bore interest at 6.903% per annum and repayable within one year. The amount was settled in 2005. The remaining receivables do not bear interest.

The amounts due from a related company and a director are unsecured, non-interest bearing and are repayable on demand. The directors consider that the carrying amounts approximate their fair value at the respective balance sheet dates.

Mr. Tsang Suet Fu is the common director of both companies.

(a) Amount due from a related company: 加美學校 ("Jia Mei Xue Xiao")	As at 31 December			At 30 June
	2004	**2005**	**2006**	**2007**
	HK$	*HK$*	*HK$*	*HK$*
Maximum balance outstanding during the year/period	5,025	5,025	4,471	2,123,011

(b) Amount due from a director:	As at 31 December			At 30 June
Tsang Suet Fu	2004	2005	2006	2007
	HK$	*HK$*	*HK$*	*HK$*
Maximum balance outstanding during the year/period	—	4,674	4,676	8,163

The following is an aged analysis of trade receivables at the respective balance sheet dates:

	As at 31 December			At 30 June
	2004	2005	2006	2007
	HK$	*HK$*	*HK$*	*HK$*
Trade receivables				
Up to 30 days	493,563	572,043	879,587	1,118,819
31 — 60 days	66,930	8,850	1,133,398	40,927
61 — 90 days	57,647	1,188	20,424	49,987
Over 90 days	160,533	44,248	146,591	115,345
	778,673	626,329	2,180,000	1,325,078

Credit Risk

The Wellrich Group's principal financial assets are bank balances and cash, trade and other receivables and amount due from a related company.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The amounts due from a related company and a director are unsecured, non-interest bearing and are repayable on demand. The directors consider that the carrying amount approximates their fair value at the respective balance sheet dates.

22. Other financial liabilities

Wellrich Group

	As at 31 December			At 30 June
	2004	2005	2006	2007
	HK$	*HK$*	*HK$*	*HK$*
Trade payables (up to 30 days)	2,336,607	2,242,722	3,528,898	3,544,105
Other payables and accruals	15,807,608	16,881,866	14,522,487	12,364,536
Amount due to a director	1,772,095	573,973	—	—
	19,916,310	19,698,561	18,051,385	15,908,641

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs.

The amount due to a director is unsecured, non-interest bearing and repayable on demand. The directors consider that the carrying amount approximates fair value at the respective balance sheet dates.

23. Secured bank borrowings — *Wellrich Group*

	As at 31 December			At 30 June
	2004	2005	2006	2007
	HK$	*HK$*	*HK$*	*HK$*
Secured bank borrowings are repayable as follows:				
Within one year	4,901,961	—	—	—
In the second year	—	—	—	—
In the third to fifth years	—	—	—	—
After five years	—	—	—	—
	4,901,961	—	—	—
Less: Amount due within one year shown under current liabilities	4,901,961	—	—	—
Amount due after one year	—	—	—	—

For the year ended 31 March 2004, the average interest rate paid was 5.7525% per month. At 31 December 2004, the bank borrowings were secured by a part of the hotel building with a carrying amount of HK$108,307,177.

The directors consider that the carrying amounts of the bank borrowings approximate fair value.

24. Shareholders' loans — *Wellrich and Wellrich Group*

The amounts are unsecured, non-interest bearing and are repayable on demand. The directors consider that the carrying amounts approximate fair value at the respective balance sheet dates.

25. Share capital

	As at 31 December			As at 30 June
	2004	2005	2006	2007
	HK$	*HK$*	*HK$*	*HK$*
Authorised shares				
100 ordinary shares of US$1 each	780	780	780	780
Issued and fully paid				
100 ordinary shares of US$1 each	780	780	780	780

26. Operating leases

Operating leases – lessor

The Wellrich Group's leasehold land and buildings are leased to a number of tenants for varying terms. As at 31 December 2004, 2005, 2006 and 30 June 2007, the total future minimum rentals receivable under non-cancellable operating leases in respect of the Wellrich Group's leasehold land and buildings are as follows:

	As at 31 December			At as 30 June
	2004	2005	2006	2007
	HK$	*HK$*	*HK$*	*HK$*
Not later than one year	6,245,217	6,059,961	7,420,052	6,936,955
Later than one year and not later than five years	1,988,522	7,916,063	8,238,743	4,454,885
	8,233,739	13,976,024	15,658,795	11,391,840

27. Related party transactions

Significant related party transactions during the year were:

	Year ended 31 December			Unaudited six months ended 30 June	Six months ended 30 June
	2004	2005	2006	2006	2007
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Purchased from ultimate holding company Well Harvest Enterprises Limited	113,401	645,888	576,556	285,704	—

28. Capital management

The Wellrich Group manages its capital to safeguard its ability to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as issued capital and reserves.

The directors of Wellrich review the capital structure on an annual basis. As a part of this review, the directors consider the cost of capital and other sources of funds other than issuance of shares, including advances from the shareholders of Wellrich. Based on the recommendation of the directors, Wellrich balances its overall capital structure through raising or repayment of borrowings. Wellrich's overall strategy remains unchanged during the Relevant Periods.

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Company have been prepared in respect of any period subsequent to 30 June 2007.

Yours faithfully,

BDO McCabe Lo Limited
Certified Public Accountants
Tong Yuk Tung Chan
Practising Certificate number P04654
Hong Kong

1. SUMMARY OF AUDITED FINANCIAL STATEMENTS

Set out below is a summary of the audited consolidated results and assets and liabilities of the Group for each of the three years ended 31 March 2007 as extracted from the respective published audited financial statements. The auditors' report in respect of the Company's audited accounts for the there years ended 31 March 2007 did not contain any qualification.

Consolidated Income Statement

	For the year ended		
	2007	**2006**	**2005**
	HK$	*HK$*	*HK$*
			(Restated)
Continuing operations			
Turnover	202,150,157	211,195,227	143,650,259
Cost of sales	(96,669,711)	(100,341,727)	(35,672,933)
Gross profit	105,480,446	110,853,500	107,977,326
Other revenue	7,895,945	4,541,799	597,009
Net operating expenses	(151,999,844)	(112,539,203)	(88,917,499)
Operating (loss)/profit	(38,623,453)	2,856,096	19,656,836
Increase in fair value of investment properties	—	4,500,000	9,000,000
Finance costs	(176,119)	(29,970)	(28,479)
(Loss)/profit before taxation	(38,799,572)	7,326,126	28,628,357
Taxation	1,055,059	(3,555,356)	(5,386,078)
(Loss)/profit for the year from continuing operations	(37,744,513)	3,770,770	23,242,279
Discontinued operations			
Profit for the year from discontinued operations	88,525,876	38,608,750	—
Profit for the year	50,781,363	42,379,520	23,242,279
Attributable to:			
Equity holders of the Company	57,132,114	45,491,787	23,242,279
Minority interests	(6,350,751)	(3,112,267)	—
	50,781,363	42,379,520	23,242,279
Dividends	Nil	Nil	Nil

	For the year ended		
	2007	**2006**	**2005**
	HK$	*HK$*	*HK$*
Earnings/(loss) per share			
From continuing operations			
Basic *(HK cents)*	(1.18)	0.39	2.12
Diluted *(HK cents)*	N/A	0.39	N/A
From discontinued operations			
Basic *(HK cents)*	3.35	2.05	N/A
Diluted *(HK cents)*	3.28	2.04	N/A
From continuing and discontinued operations			
Basic *(HK cents)*	2.17	2.44	2.12
Diluted *(HK cents)*	2.13	2.43	N/A

Consolidated Balance Sheet

	As at 31 March		
	2007	**2006**	**2005**
	HK$	*HK$*	*HK$*
Non-current assets			
Goodwill	—	19,003,140	18,988,140
Property, plant and equipment	105,594,731	314,948,192	100,736,979
Investment properties	100,500,000	100,500,000	93,000,000
Interests in leasehold land for own use under operating leases	—	72,884,182	—
Deferred expenditure	3,988,251	—	—
Land premium	—	183,994,620	—
Interest in an associate	—	—	—
Held-to-maturity investments	—	—	—
Deferred tax asset	5,616,256	3,189,521	4,438,687
Total non-current assets	215,699,238	694,519,655	217,163,806
Current assets			
Inventories	27,594,127	22,944,562	1,729,001
Trade and other receivables	59,731,426	19,205,832	6,471,545
Interests in leasehold land for own use under operating leases	—	1,765,225	—
Deferred expenditure	45,267,624	—	—
Cash and cash equivalents	438,160,876	114,781,497	24,470,296
Total current assets	570,754,053	158,697,116	32,670,842
Current liabilities			
Trade and other payables	55,717,421	27,071,859	14,431,322
Amounts due to minority shareholders	66,875,269	35,480,374	—
Secured bank borrowings	—	28,122,176	—
Provision for taxation	518,984	324,708	—
Total current liabilities	123,111,674	90,999,117	14,431,322
Net current assets	447,642,379	67,697,999	18,239,520
Total assets less current liabilities	663,341,617	762,217,654	235,403,326

	As at 31 March		
	2007	**2006**	**2005**
	HK$	*HK$*	*HK$*
Non-current liabilities			
Secured bank borrowings	—	112,106,558	—
Provision for long service payments	2,262,353	2,307,157	2,815,402
Deferred tax liabilities	14,427,686	41,783,548	10,485,156
Total non-current liabilities	16,690,039	156,197,263	13,300,558
Net assets	646,651,578	606,020,391	222,102,768
Capital and reserves			
Share capital	131,506,080	131,506,080	54,794,200
Reserves	524,437,444	465,356,507	167,308,568
Total equity attributable to equity holders of the Company	655,943,524	596,862,587	222,102,768
Minority interests	(9,291,946)	9,157,804	—
Total equity	646,651,578	606,020,391	222,102,768

2. AUDITED FINANCIAL STATEMENTS

Set out below are the audited financial statements together with the relevant notes to the financial statements as extracted from the annual reports of the Company for the year ended 31 March 2007.

Consolidated Income Statement
For the year ended 31 March 2007

	Notes	**2007** *HK$*	**2006** *HK$*
Continuing operations			
Turnover	*4*	202,150,157	211,195,227
Cost of sales		(96,669,711)	(100,341,727)
Gross profit		105,480,446	110,853,500
Other revenue	*4*	7,895,945	4,541,799
Net operating expenses		(151,999,844)	(112,539,203)
Operating (loss)/profit		(38,623,453)	2,856,096
Increase in fair value of investment properties		—	4,500,000
Finance costs	*8*	(176,119)	(29,970)
(Loss)/profit before taxation		(38,799,572)	7,326,126
Taxation	*9*	1,055,059	(3,555,356)
(Loss)/profit for the year from continuing operations		(37,744,513)	3,770,770
Discontinued operations			
Profit for the year from discontinued operations	*6*	88,525,876	38,608,750
Profit for the year	*6, 10*	50,781,363	42,379,520
Attributable to:			
Equity holders of the Company		57,132,114	45,491,787
Minority interests		(6,350,751)	(3,112,267)
		50,781,363	42,379,520
Dividends	*11*	Nil	Nil

	Notes	2007 HK$	2006 HK$
Earnings/(loss) per share	*12*		
From continuing operations			
Basic *(HK cents)*		(1.18)	0.39
Diluted *(HK cents)*		N/A	0.39
From discontinued operations			
Basic *(HK cents)*		3.35	2.05
Diluted *(HK cents)*		3.28	2.04
From continuing and discontinued operations			
Basic *(HK cents)*		2.17	2.44
Diluted *(HK cents)*		2.13	2.43

Consolidated Balance Sheet

As at 31 March 2007

	Notes	2007 HK$	2006 HK$
Non-current assets			
Goodwill	*14*	—	19,003,140
Property, plant and equipment	*15*	105,594,731	314,948,192
Investment properties	*16*	100,500,000	100,500,000
Interests in leasehold land for own use under operating leases	*17*	—	72,884,182
Deferred expenditure	*19*	3,988,251	—
Land premium	*18*	—	183,994,620
Interest in an associate	*21*	—	—
Held-to-maturity investments	*22*	—	—
Deferred tax asset	*23*	5,616,256	3,189,521
Total non-current assets		215,699,238	694,519,655
Current assets			
Inventories	*24*	27,594,127	22,944,562
Trade and other receivables	*25*	59,731,426	19,205,832
Interests in leasehold land for own use under operating leases	*17*	—	1,765,225
Deferred expenditure	*19*	45,267,624	—
Cash and cash equivalents	*26*	438,160,876	114,781,497
Total current assets		570,754,053	158,697,116
Current liabilities			
Trade and other payables	*27*	55,717,421	27,071,859
Amounts due to minority shareholders	*28*	66,875,269	35,480,374
Secured bank borrowings	*29*	—	28,122,176
Provision for taxation		518,984	324,708
Total current liabilities		123,111,674	90,999,117
Net current assets		447,642,379	67,697,999
Total assets less current liabilities		663,341,617	762,217,654

	Notes	2007 HK$	2006 HK$
Non-current liabilities			
Secured bank borrowings	*29*	—	112,106,558
Provision for long service payments	*33*	2,262,353	2,307,157
Deferred tax liabilities	*23*	14,427,686	41,783,548
Total non-current liabilities		16,690,039	156,197,263
Net assets		646,651,578	606,020,391
Capital and reserves			
Share capital	*30*	131,506,080	131,506,080
Reserves		524,437,444	465,356,507
Total equity attributable to equity holders of the Company		655,943,524	596,862,587
Minority interests		(9,291,946)	9,157,804
Total equity	*32*	646,651,578	606,020,391

Balance Sheet

As at 31 March 2007

	Notes	2007 HK$	2006 HK$
Non-current assets			
Investments in subsidiaries	*20*	52,084,559	52,084,060
Total non-current assets		52,084,559	52,084,060
Current assets			
Amounts due from subsidiaries	*20*	401,549,586	406,757,870
Trade and other receivables	*25*	23,928	23,928
Cash and cash equivalents	*26*	148,964	176,596
Total current assets		401,722,478	406,958,394
Current liabilities			
Trade and other payables	*27*	1,150,990	516,290
Amounts due to subsidiaries	*20*	7,295,550	7,295,518
Total current liabilities		8,446,540	7,811,808
Net current assets		393,275,938	399,146,586
Net assets		445,360,497	451,230,646
Capital and reserves			
Share capital	*30*	131,506,080	131,506,080
Reserves		313,854,417	319,724,566
Total equity	*32*	445,360,497	451,230,646

Consolidated Statement of Changes in Equity

For the year ended 31 March 2007

	Notes	2007 HK$	2006 HK$
Total equity at beginning of year		606,020,391	222,102,768
Net income recognised directly in equity:			
Surplus on revaluation of other properties revaluation reserve, net of deferred tax		1,827,911	1,815,536
Profit for the year:			
— attributable to equity shareholders of the Company		57,132,114	45,491,787
— minority interests		(6,350,751)	(3,112,267)
Profit for the year		50,781,363	42,379,520
Total recognised income and expense for the year		52,609,274	44,195,056
Movements in equity arising from capital transactions			
Issue of shares		—	76,711,880
Increase in share premium from issue of shares		—	246,806,222
		—	323,518,102
Employee share option benefits		—	3,934,394
Exchange reserve arising from subsidiary in the PRC		120,912	—
Minority interests		(12,098,999)	12,270,071
Total equity		646,651,578	606,020,391
Attributable to:			
Equity holders of the Company	*32*	655,943,524	596,862,587
Minority interests		(9,291,946)	9,157,804
		646,651,578	606,020,391

Consolidated Cash Flow Statement

For the year ended 31 March 2007

	Notes	2007 HK$	2006 HK$
Operating activities			
Cash generated from operations	*36*	23,526,833	29,660,133
Interest paid		(7,735,721)	(3,384,886)
Interest received		7,533,232	3,273,315
Tax paid		(1,282)	—
Net cash generated from operating activities		23,323,062	29,548,562
Investing activities			
Disposal of subsidiaries, net of cash disposed of	*35*	370,960,802	—
Acquisition of subsidiaries, net of cash acquired	*34*	—	(251,000,802)
Acquisition of equity interest from minority interests		—	(29)
Purchases of property, plant and equipment		(7,789,647)	(7,387,263)
Deferred expenditure paid		(50,000,000)	—
Net cash generated from/(used in) investing activities		313,171,155	(258,388,094)
Financing activities			
Repayment of bank loans		(64,509,764)	(11,303,468)
Advances from minority shareholders		51,394,895	6,840,210
Capital contribution by minority shareholders		31	95,889
Proceeds from issue of shares		—	328,765,200
Share issue expenses		—	(5,247,098)
Net cash (used in)/generated from financing activities		(13,114,838)	319,150,733
Net increase in cash and cash equivalents		323,379,379	90,311,201
Cash and cash equivalents at the beginning of year		114,781,497	24,470,296
Cash and cash equivalents at the end of year	*26*	438,160,876	114,781,497

Notes to the Financial Statements

For the year ended 31 March 2007

1. General

The Company is a public limited company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited. Its parent and ultimate holding company is World Possession Assets Limited (incorporated in British Virgin Islands). The Company's registered office and principal place of business are at Clarendon House, Church Street, Hamilton HM 11, Bermuda and Room 2810-11, 28th Floor, Shun Tak Centre, West Tower, 200 Connaught Road Central, Hong Kong respectively.

The Company is engaged in investment holding. The principal activities of the subsidiaries are set out in note 20. During the year, the Group ceased its hotel operations via the disposal of interests in several subsidiaries as set out in note 35.

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

2. Application of Hong Kong financial reporting standards

(a) In the current year, the Group has applied all the new and revised standards, amendments and interpretations ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant to its operation and effective for its accounting period beginning on 1 April 2006. The adoption of the new HKFRSs had no material effect on how the results for the current or prior accounting periods have been prepared and presented.

(b) ***Potential impact arising on the new accounting standards not yet effective***

The Group has not yet applied the following new standards, amendment or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these new HKFRSs will have no material impact on the financial statements of the Group.

HKAS 1 Amendment	Capital Disclosures [4]
HKFRS 7	Financial Instrument: Disclosures [4]
HKFRS 8	Operating Segments [1]
HKAS 23 (Revised)	Borrowing Costs [1]
HK(IFRIC) — Interpretation 8	Scope of HKFRS 2 [7]
HK(IFRIC) — Interpretation 9	Reassessment of Embedded Derivatives [6]
HK(IFRIC) — Interpretation 10	Interim Financial Reporting and Impairment [5]
HK(IFRIC) — Interpretation 11	Group and Treasury Share Transactions [3]
HK(IFRIC) — Interpretation 12	Service Concession Arrangements [2]

[1] Effective for annual periods beginning on or after 1 January 2009.
[2] Effective for annual periods beginning on or after 1 January 2008.
[3] Effective for annual periods beginning on or after 1 March 2007.
[4] Effective for annual periods beginning on or after 1 January 2007.
[5] Effective for annual periods beginning on or after 1 November 2006.
[6] Effective for annual periods beginning on or after 1 June 2006.
[7] Effective for annual periods beginning on or after 1 May 2006.

3. Principal accounting policies

(a) Statement of compliance

The financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations ("HKAS-INT") (hereinafter collectively referred to as the "new HKFRSs") issued by HKICPA. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance.

(b) Basis of preparation

The financial statements have been prepared under the historical cost basis except for certain properties and financial instruments, which are measured at fair values or revalued amounts as explained in the accounting policies set out below.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in note 40.

(c) Basis of consolidation

Where the Company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial statements present the results of the Company and its subsidiaries as if they formed a single entity. Inter-company transactions and balances between group companies are therefore eliminated in full in preparing the consolidated financial statements.

On acquisition, the assets and liabilities of the relevant subsidiaries are measured at their fair values at the date of acquisition. The interest of minority shareholders is stated at their proportion of the fair values of the assets and liabilities recognised.

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

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Minority interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

In the Company's balance sheet, investments in subsidiaries are stated at cost less impairment loss, if any.

(d) Associate

Where the Group has the power to participate in (but not control) the financial and operating policy decisions of another entity, it is classified as an associate. Associates are accounted for using the equity method except when the investment is classified as held for sale (in which case it is accounted for in accordance with HKFRS 5 Non-Current Assets Held for Sale and Discontinued Operations.) or when the investment is designated as at fair value through profit or loss upon initial recognition or is classified as held for trading (in which case it is accounted for under HKAS 39 Financial Instruments Recognition and Measurement) to whereby they are initially recognised in the consolidated balance sheet at cost and thereafter, they are accounted under the equity method their earnings values are adjusted for the Group's share of the post-acquisition change in the Group's share of the associates' net assets - except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate and subject to impairment in the same way as goodwill arising on a business combination.

(e) Joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

Assets that the Group controls and liabilities that it incurs in relation to jointly controlled operations are recognised in the Group's balance sheet on an accrual basis and classified according to the nature of the item. The Group's share of income that it earns from jointly controlled operations together with the expenses that it incurs are included in the Group's income statement when it is probable that economic benefits associated with the transaction will flow to/from the Group.

(f) Goodwill

Goodwill represents the excess of the cost of a business combination over the interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired. Cost comprises the fair values of assets given, liabilities assumed and equity instruments issued, plus any direct costs of acquisition.

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the income statement.

Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the income statement.

For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount to each asset in the unit. Any impairment loss for goodwill is recognised directly in the income statement. An impairment loss for goodwill is not reversed in subsequent periods.

(g) Investment properties

Investment properties are properties held for long-term rental yields or for capital appreciation and not occupied by the Group. Investment properties are carried at fair value, representing open-market value determined annually by independent qualified valuer. Changes in fair value are recognised in the income statement.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year in which the item is derecognised.

(h) Property, plant and equipment

Leasehold land and buildings, other than hotel property, are stated at valuation less accumulated depreciation as the fair value of the land cannot be measured separately from the fair value of a building situated thereon at the inception of the lease and is accounted for as being held under a finance lease. Fair value is determined by the directors of the Company based on independent valuations which are performed periodically. The valuations are on the basis of open market value. The directors of the Company review the carrying value of the leasehold buildings and adjustment is made where they consider that there has been a

material change. Increases in valuation are credited to the other properties revaluation reserve. Decreases in valuation are first offset against increases on earlier valuations in respect of the same property and are thereafter charged to the income statement. Any subsequent increases are credited to the income statement up to the amount previously charged and thereafter to other property revaluation reserve.

The building component of the owner-occupied leasehold hotel property and other property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Property, plant and equipment are depreciated at rates sufficient to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives and residual value are reviewed, and adjusted if appropriate, at each balance sheet date. The useful lives are as follows:

Hotel property	
— Building	Over the term of the land lease
— Leasehold improvements, furniture and fixtures	2 — 10 years
Leasehold land	Over the term of the lease
Buildings	40 years
Leasehold improvements	2 — 5 years
Wardrobe	1 year
Furniture, fixtures and equipment	3 — 5 years
Motor vehicles	5 years

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the income statement during the year in which they are incurred.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Upon disposal of leasehold land and buildings, the relevant portion of the revaluation reserve realised in respect of previous valuations is released from the other properties revaluation reserve to retained earnings. Any gain or loss arising on derecognition of assets other than leasehold land and buildings is the difference between the net sale proceeds and the carrying amount of the relevant asset, and is recognised in the income statement.

(i) Interests in leasehold land held for own use under operating leases

Interests in leasehold land held for own use under operating leases represent up-front payments to acquire long-term interests in lessee-occupied properties. These payments are stated at cost and are amortised over the period of the lease on a straight-line basis to the income statement.

(j) Land premium

Land premium represents the fair value of land acquired less the fair value of land at inception of lease and is amortised over the period of the lease on a straight-line basis to the income statement.

(k) Deferred expenditure

Deferred expenditure represents prepayment to a co-operation venturer for its share of operating profits from the co-operation business to collect licence fees from karaoke operators in the People's Republic of China (the "PRC"). The deferred expenditure is initially recognised at cost. Subsequent to initial recognition, deferred expenditure is carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for deferred expenditure is provided on a straight-line basis over the co-operation period.

(l) Impairment

At each balance sheet date, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment (other than properties carried at revalued amounts);
- interests in leasehold land held for own use under operating lease;
- investments in subsidiaries, associates and joint ventures; and
- deferred expenditure.

If the recoverable amount (i.e. the greater of the net selling price and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the impairment loss is treated as a revaluation decrease under that HKFRS.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the reversal of the impairment loss is treated as a revaluation increase under that other HKFRS.

(m) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value.

Cost, which comprises the purchase prices of inventories and direct expenses, is calculated using the first-in first-out method.

Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(n) Financial instruments

(i) Financial assets

The Group classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Group's accounting policy for each category is as follows:

Financial assets at fair value through profit or loss: include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts. Gains or losses on investments held for trading or these financial assets are recognised in the income statement.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial assets may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or loss on them on a different basis; (ii) the assets are part of a group of financial assets which is managed and its performance evaluated on a fair value basis according to a documented management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded.

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

Loans and receivables: These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), but also incorporate other types of contractual monetary asset. At each balance sheet date subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

An impairment loss is recognised in the income statement when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Held-to-maturity investments: These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. At each balance sheet date subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any identified impairment losses.

An impairment loss is recognised in the income statement when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Available-for-sale financial assets: Non-derivative financial assets not included in the above categories are classified as available-for-sale and comprise the Group's strategic investments in entities not qualifying as subsidiaries, associates or jointly controlled entities. They are carried at fair value with changes in fair value recognised directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in the income statement.

Any impairment losses on available-for-sale financial assets are recognised in the income statement on available-for-sale investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

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

(ii) Financial liabilities

The Group classifies its financial liabilities into one of two categories, depending on the purpose for which the liabilities were incurred. The Group's accounting policy for each category is as follows:

Financial liabilities at fair value through profit or loss: Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the income statement.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Other financial liabilities: Other financial liabilities include the following items:

- Trade payables and other short-term monetary liabilities, which are recognised at amortised cost.

- Bank borrowings, certain preference shares and the debt element of convertible debt issued by the Group, which are initially recognised at the amount advanced net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the balance sheet. "Interest expense" in this context includes initial transaction costs and premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

(iii) Derecognition

The Group derecognises a financial asset where the contractual rights to the future cash flows in relation to the investment expire or where the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

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

(iv) Equity instruments

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

(o) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax arises from temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes and is accounted for using the balance sheet liability method. Except for recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Income taxes are recognised in the income statement except when they relate to items directly recognised to equity in which case the taxes are also directly recognised in equity.

(p) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated. Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(q) Revenue recognition

Revenue from restaurant operations is recognised when food and beverages are sold and services are provided.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Revenue from licence fee collection business is recognised on an accrual basis when it is probable that the economic benefits will flow to the Group.

Revenue from provision of wedding and entertainment services is recognised when contracts are signed.

Hotel room revenue is recognised when hotel rooms are occupied.

Revenue from goods sold is recognised when title of goods sold has passed to the purchaser, which is at the time of delivery.

Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

(r) Foreign currencies

Transactions entered into by Group entities in currencies other than the currency of the primary economic environment in which it operates (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at 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 retranslation of unsettled monetary assets and liabilities are similarly recognised immediately in the income statement, except for foreign currency borrowings qualifying as a hedge of a net investment in a foreign operation.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in the income statement in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the financial statements. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the income statement 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, in which cases, the exchange differences are also recognised directly in equity.

On consolidation, the results of foreign operations are translated into the presentation currency of the Group at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rate approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the balance sheet date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised directly in equity (the "foreign exchange reserve"). Exchange differences recognised in the income statement of Group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the overseas operation concerned are reclassified to the foreign exchange reserve if the item is denominated in the functional currency of the Group or the overseas operation concerned.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are transferred to the income statement as part of the profit or loss on disposal.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the balance sheet date. Exchange differences arising are recognised in the foreign exchange reserve.

(s) 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) Profit-sharing and bonus plans

The expected costs of profit sharing and bonus payments are recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for profit-sharing and bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

(iii) Post-employment benefits

Retirement benefits to employees are provided through several defined contribution plans.

The Group adopts a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance of Hong Kong for all employees of its subsidiaries operating in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries but subject to a cap in accordance with the statutory requirement and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme.

The Group has recorded provisions for long service payments for employees who had completed the required number of years of service under Hong Kong's Employment Ordinance for whom the Group is obligated to pay long service payment on termination of their employment.

The obligations for long service payments are assessed using the projected unit credit method, under which the provision for long service payment is charged to the income statement so as to spread the cost over the service lives of employees. The obligations are determined based on actuarial assumptions that are the Group's best estimates of the variables that will determine the ultimate cost of providing post-employment benefits. The provisions are calculated as the present values of the estimated future cash outflows for each employee using interest rates of high quality corporate bonds that have terms to maturity approximating the terms of the related liabilities, less the fair value of the Group's contributions to MPF for that employee. Plan assets are measured at fair values. Actuarial gains and losses are recognised over the average remaining service lives of employees.

The employees of the Group's subsidiary that operates in Macau are required to participate in a government-managed retirement benefit scheme. This subsidiary is required to contribute a fixed cost per employee to the government-managed retirement benefit scheme. The contributions are charged to the income statement as they become payable.

(t) Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the income statement over the vesting period with a corresponding increase in the employee share based compensation reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the income statement over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the income statement is charged with the fair value of goods or services received unless the goods or services qualify for recognition as assets. A corresponding increase in equity is recognised. For each-settled share based payments, a liability is recognised at the fair value of the goods or services received.

(u) Leases

For leases where substantially all of the risks and rewards incidental to ownership are retained by the lessor (an "operating lease"), the total rentals payable under the lease are charged to the income statement on a straight-line basis over the lease term.

(v) Borrowing costs

All borrowing costs are recognised as and included in finance costs in the income statement in the period in which they are incurred.

(w) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business.

Classification as a discontinued operation occurs upon disposal. When an operation is classified as discontinued, a single amount is presented on the income statement, which comprises:

— the post-tax profit or loss of the discontinued operation;

— the post-tax gain or loss recognised on the disposal of the disposal group constituting the discontinued operation; and

— the excess of fair value of net assets acquired over cost of acquisition of the disposal group.

(x) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards different from those of other segments.

In accordance with its internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segment as the secondary reporting format.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment.

Unallocated costs represent corporate income and expenses. Segment assets consist primarily of goodwill, property, plant and equipment, inventories and receivables, and exclude cash and cash equivalents. Segment liabilities comprise operating liabilities and exclude accruals for corporate expenses and certain corporate borrowings. Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one year.

4. Revenue

An analysis of the Group's revenue for the year, for both continuing and discontinued operations, is as follows:

	2007	2006
	HK$	*HK$*
TURNOVER		
Continuing operations:		
Sales of food and beverages from restaurant operations	39,253,682	37,661,004
Gross rental income from investment properties	5,403,700	5,118,419
Provision of wedding services	89,732,139	97,284,421
Revenue from talent management and entertainment operations	2,530,068	2,638,713
Revenue from trading of watches and wine	65,164,602	68,492,670
Revenue from licence fee collection business	65,966	—
	202,150,157	211,195,227
Discontinued operations:		
Revenue from hotel operations		
— Rooms rental	50,980,911	35,947,466
— Food and beverages	20,486,695	19,628,697
	71,467,606	55,576,163
	273,617,763	266,771,390
OTHER REVENUE		
Continuing operations:		
Bank interest income	7,533,232	2,844,068
Others	362,713	1,697,731
	7,895,945	4,541,799
Discontinued operations:		
Bank interest income	1,082,955	429,247
Others	1,326,176	1,250,139
	2,409,131	1,679,386
	10,305,076	6,221,185
TOTAL REVENUE	283,922,839	272,992,575

5. Business and geographical segment

Business segments

For management purposes, the Group is currently organised into six operating divisions — restaurant operations, property investment, wedding services business, entertainment business, retail operations and licence fee collection business. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Restaurant operations	—	sales of food and beverages
Property investment	—	leasing investment properties
Wedding services business	—	provision of wedding services
Entertainment business	—	provision of talent management and entertainment business
Retail operations	—	trading of watches and wine
Others	—	collection of licence fee from karaoke operators in the PRC

The Group was also involved in hotel operations. That operations were discontinued in November 2006 *(see note 35)*.

An analysis of the Group's business segments is set out as follows:

	2007								
	Continuing operations							Discontinued operations	
	Restaurant operations HK$	Property investment HK$	Wedding services HK$	Entertainment operations HK$	Retail operations HK$	Licence fee collection business HK$	Sub-total HK$	Hotel operations HK$	Total HK$
Turnover	39,253,682	5,403,700	89,732,139	2,530,068	65,164,602	65,966	202,150,157	71,467,606	273,617,763
Segment results	(604,234)	4,004,121	(33,928,408)	(3,611,430)	(75,930)	(6,151,895)	(40,367,776)	5,993,836	(34,373,940)
Gain on disposal of hotel operations									81,504,515
Unallocated income									8,562,043
Unallocated costs									(5,965,032)
Profit before taxation									49,727,586
Taxation									1,053,777
Profit for the year									50,781,363
Segment assets	100,517,910	100,589,256	11,304,338	71,232	32,693,849	79,881,355	325,057,940	—	325,057,940
Unallocated assets									461,395,351
Total assets									786,453,291
Segment liabilities	(8,531,414)	(2,053,911)	(10,226,282)	(4,759,064)	(22,198,239)	(63,457,712)	(111,226,622)	—	(111,226,622)
Unallocated liabilities									(28,575,091)
Total liabilities									(139,801,713)
Capital expenditure — segment	108,970	—	5,532,836	—	1,710,170	191,358	7,543,334	237,313	7,780,647
— unallocated									9,000
									7,789,647
Depreciation — segment	2,729,833	—	2,370,072	80,177	503,622	9,881	5,693,585	24,024,398	29,717,983
— unallocated									3,320
									29,721,303
Impairment of goodwill	—	15,000	18,988,140	—	—	—	19,003,140	—	19,003,140
Amortisation of deferred expenditure	—	—	—	—	—	744,125	744,125	—	744,125
Amortisation of prepaid lease rentals (land)	—	—	—	—	—	—	—	864,827	864,827
Amortisation of land premium	—	—	—	—	—	—	—	2,102,957	2,102,957

	2006							
	Continuing operations						Discontinued operations	
	Restaurant operations HK$	Property investment HK$	Wedding services HK$	Entertainment operations HK$	Retail operations HK$	Sub-total HK$	Hotel operations HK$	Total HK$
Turnover	37,661,004	5,118,419	97,284,421	2,638,713	68,492,670	211,195,227	55,576,163	266,771,390
Segment results	1,551,809	7,967,180	5,882,315	(6,932,323)	1,896,837	10,365,818	8,163,628	18,529,446
Excess of fair value of net assets acquired over cost of acquisition of subsidiaries								29,760,397
Unallocated income								4,621,678
Unallocated costs								(7,260,624)
Profit before taxation								45,650,897
Taxation								(3,271,377)
Profit for the year								42,379,520
Segment assets	103,400,990	100,653,345	28,330,596	1,811,388	19,845,116	254,041,435	481,139,357	735,180,792
Unallocated assets								118,035,979
Total assets								853,216,771
Segment liabilities	(8,222,689)	(1,957,500)	(7,773,462)	(4,870,237)	(10,507,251)	(33,331,139)	(171,299,845)	(204,630,984)
Unallocated liabilities								(42,565,396)
Total liabilities								(247,196,380)
Capital expenditure — segment	2,412,901	—	3,888,996	372,428	359,355	7,033,680	349,783	7,383,463
— unallocated								3,800
								7,387,263
Depreciation — segment	2,543,877	—	1,897,782	54,705	62,714	4,559,078	20,571,983	25,131,061
— unallocated								2,568
								25,133,629
Impairment of goodwill	920,493	—	—	449,628	—	1,370,121	—	1,370,121
Amortisation of prepaid lease rentals (land)	—	—	—	—	—	—	719,165	719,165
Amortisation of land premium	—	—	—	—	—	—	1,801,856	1,801,856

An analysis of the Group's geographical segments is set out as follows:

	2007						
	Hong Kong		Macau		PRC		
	Continuing operations	Discontinued operations	Continuing operations	Discontinued operations	Continuing operations	Discontinued operations	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Sales revenue	186,618,871	—	15,465,320	71,467,606	65,966	—	273,617,763
Segment assets	723,894,357	—	22,121,015	—	40,437,919	—	786,453,291
Capital expenditure	4,040,393	—	3,320,583	237,313	191,358	—	7,789,647

	2006						
	Hong Kong		Macau		PRC		
	Continuing operations	Discontinued operations	Continuing operations	Discontinued operations	Continuing operations	Discontinued operations	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Sales revenue	211,195,227	—	—	55,576,163	—	—	266,771,390
Segment assets	372,077,414	—	—	481,139,357	—	—	853,216,771
Capital expenditure	7,037,480	—	—	349,783	—	—	7,387,263

6. Profit for the year

Profit for the year has been arrived at after charging/(crediting):

	2007	**2006**
	HK$	*HK$*
Depreciation of property, plant and equipment	29,721,303	25,133,629
Cost of inventories recognised as an expense	81,387,364	86,250,312
Direct operating expenses from investment properties that generated rental income during the year	170,205	625,321
Property tax on rental income	364,385	452,445
Operating lease rentals in respect of land and buildings		
— Land and buildings	20,927,622	14,222,897
— Interests in leasehold land for own use under operating leases	864,827	719,165
Amortisation of land premium	2,102,957	1,801,856
Amortisation of deferred expenditure	744,125	—
Amortisation of pre-paid licence fee	2,500,000	—
Impairment loss of goodwill	19,003,140	1,370,121
Auditors' remuneration (recognised in net operating expenses)		
— Audit services	873,900	730,000
— Non-audit services *(note a)*	310,000	27,000

Note a: Auditors' remuneration for non-audit services for 2006 excluded an amount of HK$200,000 which was capitalised in cost of acquisition of Waldorf Holding Limited.

During the year, the Group disposed of its 95% interests in Waldorf Holding Limited ("Waldorf"), which operated a hotel in Macau. The sales, results, cash flows and net assets of Waldorf were as follows:

	2007	**2006**
	HK$	*HK$*
Profit for the year from discontinued operations:		
Sales	71,467,606	55,576,163
Cost of sales	(52,895,513)	(41,060,210)
Gross profit	18,572,093	14,515,953
Other revenue	2,409,131	1,679,386
Net operating expenses	(6,398,979)	(4,276,049)
Operating profit	14,582,245	11,919,290
Finance costs	(7,559,602)	(3,354,916)
Profit before taxation	7,022,643	8,564,374
Taxation	(1,282)	283,979
Profit after taxation	7,021,361	8,848,353
Gain on disposal of hotel operations	81,504,515	—
Excess of fair value of net assets acquired over cost of acquisition of subsidiaries	—	29,760,397
	88,525,876	38,608,750
Cash flows from discontinued operations:		
Operating cash flows	34,523,135	21,770,348
Investing cash flows	1,130,417	(450,559)
Financing cash flows	(63,406,574)	(11,077,286)
Total cash flows	(27,753,022)	10,242,503

The carrying amounts of the assets and liabilities of Waldorf at the date of disposal were HK$471,163,759 and HK$223,698,655 respectively.

A profit of HK$81.5 million arose on the disposal of the Group's interests in Waldorf, being the net sale proceeds of disposal less the carrying amount of the Group's interests in the subsidiary's net assets and the shareholder's loan assigned. No tax charge or credit arose from the disposal.

7. Staff costs

	Continuing operations		Discontinued operations		Total	
	2007	2006	2007	2006	2007	2006
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Staff costs (including directors) comprise:						
Salaries and bonuses	51,165,107	49,529,978	13,614,010	9,430,284	64,779,117	58,960,262
Contribution to defined contribution pension plans	2,817,429	2,517,812	462,718	212,241	3,280,147	2,730,053
Share options granted to directors	—	3,934,394	—	—	—	3,934,394
Other post-employment benefits	135,074	162,115	—	—	135,074	162,115
Other short term monetary benefits	1,449,338	1,253,002	1,551,834	1,197,408	3,001,172	2,450,410
	55,566,948	57,397,301	15,628,562	10,839,933	71,195,510	68,237,234

8. Finance costs

	Continuing operations		Discontinued operations		Total	
	2007	2006	2007	2006	2007	2006
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Interest on						
— long-term bank loans	18,300	29,970	7,559,602	3,354,916	7,577,902	3,384,886
— other borrowings	157,819	—	—	—	157,819	—
	176,119	29,970	7,559,602	3,354,916	7,735,721	3,384,886

9. Taxation

The amount of taxation in the income statement represents:

	Continuing operations		Discontinued operations		Total	
	2007	2006	2007	2006	2007	2006
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Hong Kong profits tax	194,276	324,708	—	—	194,276	324,708
Macau tax	—	—	1,282	—	1,282	—
	194,276	324,708	1,282	—	195,558	324,708
Deferred tax *(note 23)*	(1,249,335)	3,230,648	—	(283,979)	(1,249,335)	2,946,669
	(1,055,059)	3,555,356	1,282	(283,979)	(1,053,777)	3,271,377

Hong Kong profits tax has been provided for certain subsidiaries within the Group and is calculated at 17.5% on the estimated assessable profits for the year.

No provision for Hong Kong profits tax has been made for other subsidiaries within the Group as those subsidiaries have sufficient tax losses brought forward to offset against the estimated profits for the year on an individual basis.

The Macau statutory tax rate is set at 12% on the estimated assessable profits for the year.

No provision for PRC Enterprise Income Tax has been made as the Group has incurred a loss during the year.

The tax expense for the year can be reconciled to the profit per the income statement as follows:

	2007	2006
	HK$	*HK$*
Profit before taxation		
— Continuing operations	(38,799,572)	7,326,126
— Discontinued operations	88,527,158	38,324,771
	49,727,586	45,650,897
Tax calculated at Hong Kong profits tax rate of 17.5% (2006: 17.5%)	8,702,327	7,988,907
Effect of different tax rates of subsidiaries operating in other jurisdictions	(4,868,994)	(471,041)
Deferred tax not recognised	2,000,950	2,220,498
Tax effect of non-deductible expenses	5,110,850	1,480,171
Tax effect of non-taxable revenue	(11,939,485)	(7,947,874)
Others	(59,425)	716
Income tax expense	(1,053,777)	3,271,377

In addition to the amount charged to the income statement, deferred tax relating to the revaluation of the Group's certain leasehold land and buildings during the year has been charged directly to equity.

10. Profit for the year

Included in profit for the year is a loss of HK$5,870,149 (2006: loss of HK$5,544,218) that has been dealt with in the financial statements of the Company.

11. Dividends

The board of directors does not recommend the payment of interim or final dividend in respect of the year ended 31 March 2007 (2006: Nil).

12. Earnings/(Loss) per share

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

	2007	2006
	HK$	*HK$*
Earnings/(loss) for the purpose of basic and diluted earnings/(loss) per share		
Profit/(loss) for the year attributable to equity holders of the Company		
— from continuing operations	(31,036,169)	7,345,679
— from discontinued operations	88,168,283	38,146,108
— from continuing and discontinued operations	57,132,114	45,491,787
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,630,121,600	1,863,903,527
Effect of dilutive potential ordinary shares:		
— Share options	58,091,574	5,581,227
Weighted average number of ordinary shares for the purpose of diluted earnings per share	2,688,213,174	1,869,484,754

* *No diluted loss per share from continuing operations has been presented for the year ended 31 March 2007 as the conversion of the share options was anti-dilutive.*

13. Directors and senior management emoluments

(a) *Directors' emoluments*

The aggregate amounts of the directors' emoluments, disclosed pursuant to Section 161 of the Companies Ordinance, are as follows:

2007	Fees	Salaries and other benefits	Discretionary bonuses	Share options	Retirement scheme contributions	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Executive directors						
Yeung Chi Hang	—	1,830,000	720,000	—	11,863	2,561,863
Ma Shuk Kam	—	—	—	—	—	—
Liu Yu Mo	—	1,700,000	330,000	—	11,863	2,041,863
Chung Siu Wah	96,000	—	—	—	4,800	100,800
Yeung Kit Yu, Kitty	—	426,400	32,800	—	11,863	471,063
Au Edmond Wah	96,000	—	—	—	4,800	100,800
Chik To Pan	—	660,000	30,000	—	11,863	701,863
Independent non-executive directors						
Chan Lai Mei	96,000	—	—	—	—	96,000
Lee Wai Loun	96,000	—	—	—	—	96,000
Lee Yuk Sang, Angus	96,000	—	—	—	—	96,000
	480,000	4,616,400	1,112,800	—	57,052	6,266,252

2006	Fees	Salaries and other benefits	Discretionary bonuses	Share options	Retirement scheme contributions	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Executive directors						
Yeung Chi Hang	—	1,550,000	720,000	1,236,524	11,863	3,518,387
Ma Shuk Kam	—	—	—	1,236,524	—	1,236,524
Liu Yu Mo	—	1,425,000	330,000	56,205	11,863	1,823,068
Chung Siu Wah	88,000	—	—	56,206	4,400	148,606
Yeung Kit Yu, Kitty	—	426,400	32,800	1,236,524	13,160	1,708,884
Au Edmond Wah	88,000	—	—	56,206	3,995	148,201
Chik To Pan	—	390,000	30,000	56,205	11,880	488,085
Independent non-executive directors						
Chan Lai Mei	96,000	—	—	—	—	96,000
Lee Wai Loun	96,000	—	—	—	—	96,000
Lee Yuk Sang, Angus	96,000	—	—	—	—	96,000
	464,000	3,791,400	1,112,800	3,934,394	57,161	9,359,755

No directors waived their emoluments in respect of the year ended 31 March 2007 (2006: HK$Nil).

The above emoluments include the value of share options granted to all executive directors under the Company's share option scheme as estimated at the date of grant. The details of these benefits-in-kind are disclosed in note 31.

(b) Five highest paid individuals

The five individuals whose emoluments, excluding share options, were the highest in the Group for the year include three directors (2006: two directors). The emoluments payable to the remaining two highest paid individuals during the year are as follows:

	2007	**2006**
	HK$	*HK$*
Basic salaries, housing allowances, other allowances and benefits in kind	1,228,521	2,065,470
Retirement scheme contributions	24,000	36,000
	1,252,521	2,101,470

All the emoluments fell within the band between nil to HK$1,000,000.

(c) Share options

The value of share options granted to the directors under the share option scheme of the Company represents the fair value of these options charged to the income statement in 2006 in accordance with HKFRS 2.

14. Goodwill and impairment

	HK$
Cost:	
At 1 April 2005	20,075,566
Opening balance adjustment to eliminate accumulated amortisation	(1,087,426)
Additions via acquisition	1,385,121
At 31 March 2006 and 31 March 2007	20,373,261
Impairment	
At 1 April 2005	1,087,426
Eliminated against cost at 1 April 2005	(1,087,426)
Impairment loss	1,370,121
At 31 March 2006 and 1 April 2006	1,370,121
Impairment loss	19,003,140
At 31 March 2007	20,373,261
Carrying value	
At 31 March 2007	—
At 31 March 2006	19,003,140

Notes:

(a) With effect from 1 April 2005 the Group no longer amortises goodwill. In accordance with the transitional provisions set out in HKFRS 3, the accumulated amortisation of goodwill as at 1 April 2005 has been eliminated against the cost of goodwill as at that date.

(b) Goodwill includes an amount of HK$19,003,140 that arose from the acquisition of Golden Island Catering Group Company Limited and World Honour Investments Limited which are engaged in the operations of restaurant, wedding services business and property investment respectively. As these subsidiaries incurred significant operating losses since the date of acquisition and it is expected the recoverable amount will be less than the carrying amount of goodwill, full impairment losses on the goodwill have been provided during the year.

(c) For the purpose of impairment testing, goodwill acquired through business combinations are allocated to the Group's various cash-generating units ("CGU") as follows:

	2007	**2006**
	HK$	*HK$*
Wedding services	18,988,140	18,988,140
Entertainment operations	—	449,627
Restaurant operations	—	920,494
Others	15,000	15,000
Total	19,003,140	20,373,261

In accordance with HKAS 36 "Impairment of assets", the Group completed its annual impairment test for goodwill to the Group's various CGU by comparing their recoverable amounts to their carrying amounts at the balance sheet date. The recoverable amount of a CGU is determined based on a value-in-use calculation. These calculations use cashflow projections based on financial forecasts covering a five-year period. The key assumptions used in the value-in-use calculation are based on the best estimates of discount rates and nil growth rate.

Impairment was provided as there was evidence of impairment on goodwill from wedding services business and other operations.

15. Property, plant and equipment

	Hotel property in Macau								
Group	Building	Leasehold improvements	Furniture, fixtures and equipment	Leasehold land and buildings	Leasehold improvements	Wardrobe	Furniture, fixtures and equipment	Motor vehicles	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Cost or valuation									
At 1 April 2005	—	—	—	96,050,000	3,415,997	1,137,797	4,457,871	41,656	105,103,321
Surplus on revaluation	—	—	—	250,000	—	—	—	—	250,000
Additions	—	56,047	293,736	—	2,558,459	—	3,789,021	690,000	7,387,263
Additions via acquisition	129,162,972	63,220,046	31,888,827	—	234,112	—	121,385	5,129,587	229,756,929
At 1 April 2006	129,162,972	63,276,093	32,182,563	96,300,000	6,208,568	1,137,797	8,368,277	5,861,243	342,497,513
Surplus on revaluation	—	—	—	260,000	—	—	—	—	260,000
Additions	—	—	237,313	—	2,811,656	—	1,305,912	3,434,766	7,789,647
Disposal of subsidiaries	(129,162,972)	(62,835,689)	(32,391,468)	—	—	—	—	(4,433,434)	(228,823,563)
Written off	—	(440,404)	(28,408)	—	(2,182,341)	—	(3,643,806)	(944,709)	(7,239,668)
At 31 March 2007	—	—	—	96,560,000	6,837,883	1,137,797	6,030,383	3,917,866	114,483,929
Accumulated depreciation									
At 1 April 2005	—	—	—	—	1,246,305	1,137,797	1,940,584	41,656	4,366,342
Charge for the year	1,246,808	16,083,634	2,663,747	1,950,650	1,004,494	—	1,496,252	688,044	25,133,629
Surplus on revaluation	—	—	—	(1,950,650)	—	—	—	—	(1,950,650)
At 1 April 2006	1,246,808	16,083,634	2,663,747	—	2,250,799	1,137,797	3,436,836	729,700	27,549,321
Charge for the year	1,467,761	18,768,585	3,094,700	1,955,650	1,527,777	—	1,890,574	1,016,256	29,721,303
Surplus on revaluation	—	—	—	(1,955,650)	—	—	—	—	(1,955,650)
Disposal of subsidiaries	(2,714,569)	(34,852,219)	(5,748,418)	—	—	—	—	(935,059)	(44,250,265)
Written off	—	—	(10,029)	—	(428,618)	—	(1,364,529)	(372,335)	(2,175,511)
At 31 March 2007	—	—	—	—	3,349,958	1,137,797	3,962,881	438,562	8,889,198
Net book value									
At 31 March 2007	—	—	—	96,560,000	3,487,925	—	2,067,502	3,479,304	105,594,731
At 31 March 2006	127,916,164	47,192,459	29,518,816	96,300,000	3,957,769	—	4,931,441	5,131,543	314,948,192

The analysis of the net book value or valuation of the above assets at 31 March 2007 is as follows:

	Hotel property in Macau	Leasehold land and buildings	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
At cost	—	—	3,487,925	2,067,502	3,479,304	9,034,731
At 2007 professional valuation	—	96,560,000	—	—	—	96,560,000
	—	96,560,000	3,487,925	2,067,502	3,479,304	105,594,731

The analysis of the net book value or valuation at of the above assets at 31 March 2006 is as follows:

	Hotel property in Macau	Leasehold land and buildings	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
At cost	204,627,439	—	3,957,769	4,931,441	5,131,543	218,648,192
At 2006 professional valuation	—	96,300,000	—	—	—	96,300,000
	204,627,439	96,300,000	3,957,769	4,931,441	5,131,543	314,948,192

The Group's leasehold land and buildings and hotel property are located in Hong Kong and Macau respectively and are analysed at their carrying values as follows:

	2007	2006
	HK$	*HK$*
Properties located in Hong Kong		
Leases of over 50 years	95,000,000	95,000,000
Leases of between 10 to 50 years	1,560,000	1,300,000
	96,560,000	96,300,000
Property located in Macau		
Leases of between 10 to 50 years	—	204,627,439

The leasehold land and buildings were revalued at 31 March 2007 on the open market value basis by Vigers Appraisal and Consulting Limited, an independent firm of professional valuers. A revaluation surplus of HK$1,827,911 was credited to other properties revaluation reserve, after net of applicable deferred income taxes of HK$387,739.

The carrying amount of leasehold land and buildings of the Group would have been HK$19,362,515 (2006: HK$20,085,435) had they been stated at cost less accumulated depreciation.

At 31 March 2006, the Group pledged leasehold land and building with a carrying value of HK$95,000,000, the hotel property in Macau, two investment properties *(note 16)*, interests in leasehold land for own use under operating leases *(note 17)* and land premium *(note 18)* as security for the Group's banking facilities of HK$252,000,000.

During the 2007 financial year, certain of the pledged assets, comprising the hotel property, one of the investment properties, interests in leasehold land for own use under operating leases and land premium, were released upon the settlement of the bank borrowings on the disposal of Waldorf. The Group's banking facilities decreased simultaneously from HK$252,000,000 to HK$52,100,000.

At 31 March 2007, the Group pledged leasehold land and building with a carrying value of HK$95,000,000 and one investment property *(note 16)* as security for the Group's banking facilities of HK$52,100,000.

At 31 March 2007, the Group did not utilise any banking facilities (2006: HK$140,228,734 *(note 29)*).

16. Investment properties

Group	**2007**	**2006**
	HK$	*HK$*
At beginning of year, at fair value	100,500,000	93,000,000
Additions via acquisition	—	3,000,000
Change in fair value	—	4,500,000
At end of year, at fair value	100,500,000	100,500,000

1. Investment properties were revalued at 31 March 2007 on an open market value basis by Vigers Appraisal and Consulting Limited, an independent firm of professional valuers.

2. At 31 March 2007, one investment property with a carrying value of HK$61,000,000 (2006: two investment properties with total carrying value of HK$64,500,000) was pledged to secure the banking facilities granted to the Group.

3. Gross rental income from investment properties amounted to HK$5,403,700 (2006: HK$5,118,419).

4. The Group's investment properties are located in Hong Kong and are analysed at their carrying values as follows:

	2007	**2006**
	HK$	*HK$*
Leases of over 50 years	61,000,000	61,000,000
Leases of between 10 to 50 years	39,500,000	39,500,000
	100,500,000	100,500,000

17. interests in leasehold land held for own use under operating leases

Group	**Amount**
	HK$
Cost	
Acquired via acquisition and as at 31 March 2006	75,368,572
Written off on the disposal of subsidiaries	(75,368,572)
At 31 March 2007	—
Accumulated amortisation	
Amortisation for the year and as at 31 March 2006	719,165
Amortisation	864,827
Written off on the disposal of subsidiaries	(1,583,992)
At 31 March 2007	—
Carrying value	
At 31 March 2007	—
At 31 March 2006	74,649,407

The above land is held under medium-term lease and is located in Macau.

Analysis of the carrying value of interests in leasehold land held for own use under operating lease is as follows:

	2007	**2006**
	HK$	*HK$*
Non-current portion	—	72,884,182
Current portion	—	1,765,225
	—	74,649,407

At 31 March 2006, the interests in leasehold land for own use under operating leases were pledged as part of the security for the Group's banking facilities *(note 15 and 29)*. In 2007, this pledge was released upon the settlement of the bank borrowings on the disposal of Waldorf.

18. Land premium

Group

	Land premium
	HK$
Cost:	
Acquired via acquisition and as at 31 March 2006	185,796,476
Written off on the disposal of subsidiaries	(185,796,476)
At 31 March 2007	—
Accumulated amortisation	
Amortisation for the year and as at 31 March 2006	1,801,856
Amortisation	2,102,957
Written off on the disposal of subsidiaries	(3,904,813)
At 31 March 2007	—
Carrying value	
At 31 March 2007	—
At 31 March 2006	183,994,620

At 31 March 2006, the land premium was pledged as part of the security for the Group's banking facilities *(notes 15 and 29)*. In 2007, this pledge was released upon the settlement of the bank borrowings on the disposal of Waldorf.

19. Deferred Expenditure

Group

	Advance on licence fee profit
	HK$
Cost	
As at 1 April 2005 and 31 March 2006	—
Amount paid during the year	50,000,000
As at 31 March 2007	50,000,000
Accumulated amortisation	
As at 1 April 2005 and 31 March 2006	—
Amortisation for the year	744,125
As at 31 March 2007	744,125
Carrying amount	
At 31 March 2007	49,255,875
At 31 March 2006	—

Shown in the financial statements as:

Deferred expenditure — current portion (to be amortised within one year)	45,267,624
Deferred expenditure — non-current portion	3,988,251
	49,255,875

During the year, Well Allied Investments Limited ("Well Allied"), an indirect non-wholly owned subsidiary of the Company, entered into a co-operation agreement with a copyright holder for the business of collecting licence fees from karaoke operators in the PRC for their use of licenced audio-visual works on behalf of the copyright holder. As a condition of the agreement, the Group agreed to advance the sum of HK$95 million to the copyright holder as its guaranteed share of the expected profit on the licence fees that will be earned. In accordance with the terms of the agreement, HK$50 million was paid on the completion date of the agreement ("Completion Date") and the remainder was paid 30 days after the Completion Date.

The agreement is effective for the period commencing on the Completion Date and end on 30 April 2009. Accordingly, the advance on licence fee profit is considered as a deferred expenditure and amortised over the term of the agreement.

Subsequent to the year end, the remaining HK$45 million was paid to the copyright holder in accordance with the agreement.

20. Investments in subsidiaries

	Company	
	2007	**2006**
	HK$	*HK$*
Unlisted shares, at cost	53,284,559	53,284,060
Less: Impairment loss	(1,200,000)	(1,200,000)
	52,084,559	52,084,060
Amounts due from subsidiaries	686,896,042	692,104,326
Less: Impairment for bad and doubtful debts	(285,346,456)	(285,346,456)
	401,549,586	406,757,870
Amounts due to subsidiaries	(7,295,550)	(7,295,518)

The amounts due from/(to) subsidiaries are unsecured, interest free and repayable on demand.

The following is a list of the principal subsidiaries as at 31 March 2007:

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued/share capital	Percentage of equity interest held 2007	2006
Held directly					
Athenian Investments Limited	The British Virgin Islands (the "BVI")	Investment holding in Hong Kong	1 ordinary share of US$1	100	100
Golden Island Bird's Nest Chiu Chau Restaurant (Star House) Limited	Hong Kong	Investment holding in Hong Kong	100 ordinary shares of HK$100 each and 240,000 deferred shares of HK$100 each	100	100
Golden Island Catering Group Company Limited	Hong Kong	Restaurant operations and provision of wedding services in Hong Kong	2 ordinary shares of HK$1 each	100	100
Golden Island (Management) Limited	Hong Kong	Provision of management services to group companies in Hong Kong	10,000 ordinary shares of HK$1 each	100	100

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued/share capital	Percentage of equity interest held 2007	2006
Worldaim Enterprises Limited	BVI	Investment holding in Hong Kong	1 ordinary share of US$1	100	100
Well Prime International Limited	BVI	Investment holding in Hong Kong	1 ordinary share of US$1	100	100
Winkler Profits Limited	BVI	Investment holding in Hong Kong	1 ordinary share of US$1	100	100
Widelead Group Limited	BVI	Investment holding in Hong Kong	1 ordinary share of US$1	100	100
Win Big Profits Limited	BVI	Investment holding in Hong Kong	1 ordinary share of US$1	100	100
Welly Champ International Limited	BVI	Investment holding in Hong Kong	100 ordinary share of US$1 each	60	60
Held indirectly					
Golden Island Bird's Nest Chiu Chau Restaurant (Causeway Bay) Limited	Hong Kong	Property holding in Hong Kong	12,000 ordinary shares of HK$100 each	100	100
Reli-a-bo Entertainment Limited	Hong Kong	Talent management	1,000 ordinary shares of HK$1 each	60	60
Wellprecise Limited	Hong Kong	Restaurant operation in Hong Kong	100 ordinary shares of HK$1 each	80	80
Witty Ventures Limited	Hong Kong	Retail of watches	100 ordinary shares of HK$1 each	51	51
World Honour Investments Limited	Hong Kong	Property holding in Hong Kong	100 ordinary share of HK$1 each	100	100
Cite Du Louvre Limited	Macau	Provision of wedding services	Quota capital of MOP100,000	100	51
Le Caveau Limited	Macau	Retail of wines and beverage	Quota capital of MOP100,000	51	51
HMS Watches Company Limited	Macau	Retail of watches	Quota capital of MOP100,000	51	51

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued/share capital	Percentage of equity interest held 2007	2006
Well Allied Investments Limited	BVI	License fee collection business in PRC	100 ordinary share of HK$1 each	30.6	30.6
中音傳播(深圳)有限公司	PRC	License fee collection operations in PRC	Registered capital of HK$10,000,000	30.6	—

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

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

21. Interest in an associate

The principal associates are dormant and financial results of the principal associates are immaterial to the Group. Accordingly, no disclosure was made.

22. Held-to-maturity investments

	Group 2007	2006
	HK$	*HK$*
Unlisted investment, at cost	78,000,000	78,000,000
Less: Impairment loss	(78,000,000)	(78,000,000)
	—	—

The investment was a convertible note (the "Note") of Opal Technologies Inc. ("Opal") for a principal amount of US$10 million. Opal was engaged in the manufacturing, trading and distribution of organic fertilisers and its shares were traded on the NASDAQ Bulletin Board in the United States of America. The Note was unsecured, interest bearing at 4% per annum payable quarterly in arrears.

The Note was convertible, in whole or in part, into fully paid shares of common stock of Opal (par value US$0.001) at US$0.20 per share (subject to adjustment) after 10 October 2000. The Group did not exercise the right to convert the Note into shares of Opal. The Note matured on 9 April 2003.

Trading of shares of Opal on NASDAQ Bulletin Board has been suspended since 23 May 2001 due to its failure to file audited financial statements for the year ended 31 December 2000 and subsequent financial years with the Securities and Exchange Commission of the United States of America. The directors were of the opinion that the recoverability of the Note was doubtful and a full provision on the Note was made in 2001.

Legal action was taken by the Group against Opal in 2002. The court adjudged that Opal had to pay the Group, inter alia, a sum of US$10,300,000 representing the principal and interest accrued on the Note up to 7 January 2002 (the "Judgement Debts").

On 19 January 2004, the Group entered into a deed of settlement (the "Settlement Deed") with Opal. Under the Settlement Deed, the Group agreed to accept Opal's payment of US$2,500,000 as full settlement of the Judgement Debts. The first instalment of the settlement of US$1,420,000 (HK$11,051,860) was received on 19 January 2004 in accordance with the terms of the Settlement Deed.

The second instalment of US$1,080,000 was scheduled to be received on 19 October 2004. However, Opal has requested a further extension and thus, the second instalment of the settlement is still outstanding. As the financial position of Opal was unknown, it would be difficult and costly to take legal action to enforce the payment immediately, and the Company agreed to grant the extension as requested by Opal. There is no fixed timetable for the repayment of the second instalment of the settlement.

23. Deferred taxation

Group

The movements on the net deferred tax liabilities during the year are as follows:

	Group	
	2007	**2006**
	HK$	*HK$*
At 1 April	38,594,027	6,046,469
Tax arising from acquisition of subsidiaries	—	29,215,775
Tax eliminated on disposal of subsidiaries	(28,921,001)	—
Tax (credited)/charged to income statement *(note 9)*	(1,249,335)	2,946,669
Tax charged to equity *(note 32)*	387,739	385,114
At 31 March	8,811,430	38,594,027

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through future taxable profits is probable. At 31 March 2007, the Group and the Company had estimated unutilised tax losses of HK$118,200,000 (2006: HK$129,300,000) and HK$6,100,000 (2006: HK$4,100,000) respectively. A deferred tax has been recognised in respect of HK$89,700,000 (2006: HK$80,900,000) of such losses. No deferred tax assets has been recognised in respect of the remaining tax losses due to unpredictability of future profit streams.

The unrecognised deferred tax mainly represented the deferred tax asset in respect of the unutilised tax losses.

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

Deferred tax assets	Accelerated accounting depreciation		Tax losses		Total	
	2007	2006	2007	2006	2007	2006
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
At the beginning of the year	167,309	37,244	14,152,000	16,928,213	14,319,309	16,965,457
(Charged)/credited to income statement	(202,874)	130,065	1,536,938	(2,776,213)	1,334,064	(2,646,148)
At the end of the year	(35,565)	167,309	15,688,938	14,152,000	15,653,373	14,319,309

Deferred tax liabilities	Property revaluation		Depreciation allowances		Total	
	2007	2006	2007	2006	2007	2006
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
At the beginning of the year	14,528,929	14,428,464	38,384,407	8,583,462	52,913,336	23,011,926
Acquisition of subsidiaries	—	—	—	29,215,775	—	29,215,775
Disposal of subsidiaries	—	—	(28,921,001)	—	(28,921,001)	—
Charged/(credited) to income statement	—	(284,649)	84,729	585,170	84,729	300,521
Charged to equity	387,739	385,114	—	—	387,739	385,114
At the end of the year	14,916,668	14,528,929	9,548,135	38,384,407	24,464,803	52,913,336

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 the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the Group's balance sheet:

	Group	
	2007	2006
	HK$	*HK$*
Deferred tax assets	(5,616,256)	(3,189,521)
Deferred tax liabilities	14,427,686	41,783,548
	8,811,430	38,594,027

24. Inventories

	Group	
	2007	2006
	HK$	*HK$*
Food, beverages and wine	4,023,988	3,884,492
Watches	23,570,139	19,060,070
	27,594,127	22,944,562

25. Trade and other receivables

	Group		Company	
	2007	**2006**	**2007**	**2006**
	HK$	*HK$*	*HK$*	*HK$*
Amount due from related company	—	1,739,197	—	—
Trade receivables	2,136,332	11,179,321	—	—
Deposits, prepayments and other receivables	57,595,094	6,287,314	23,928	23,928
	59,731,426	19,205,832	23,928	23,928

The Group's general credit terms granted to its customers range from 30 to 60 days.

Amount due from related company of the Group disclosed pursuant to Section 161B of the Companies Ordinance are as follows:

Name of borrower

Waldo Entertainment Limited

Director who is related

Yeung Chi Hang

	Balance of the outstanding amount
	HK$
At 31 March 2007	—
At 1 April 2006	1,739,197
Maximum balance outstanding during the year	1,739,197

The amount due from related company is unsecured, interest free and has a credit term of 30 days. The Company and the related company have common director.

The directors consider that the carrying amount of trade and other receivables approximate their fair values.

At the balance sheet date, the ageing analysis of the trade receivables was as follows:

	Group	
	2007	**2006**
	HK$	*HK$*
Within 30 days	1,765,363	10,317,015
31 to 60 days	106,563	337,729
Over 60 days	264,406	524,577
	2,136,332	11,179,321

Included in trade and other receivables in the consolidated balance sheet are the following significant amounts denominated in a currency other than the functional currency of the Group:

	2007	**2006**
	MOP	*MOP*
Macau Pataca	5,089,189	11,892,421
	RMB	*RMB*
Renminbi	30,001,231	—

26. Cash and cash equivalents

	Group		Company	
	2007	**2006**	**2007**	**2006**
	HK$	*HK$*	*HK$*	*HK$*
Cash at banks and in hand	398,089,757	30,475,537	148,964	176,596
Short-term bank deposits	40,071,119	84,305,960	—	—
	438,160,876	114,781,497	148,964	176,596

The effective interest rate of short-term bank deposits is 3.5% (2006: 3.5%). The deposits have a maturity of 7 days and are eligible for immediate cancellation without receiving any interest for the last deposit period.

Included in cash and cash equivalents in the consolidated balance sheet are the following significant amounts denominated in a currency other than the functional currency of the Group:

	2007	**2006**
	MOP	*MOP*
Macau Pataca	2,322,162	40,273,705
	RMB	*RMB*
Renminbi	6,782,896	—

27. Trade and other payables

	Group		Company	
	2007	**2006**	**2007**	**2006**
	HK$	*HK$*	*HK$*	*HK$*
Trade payables	5,033,601	7,121,305	—	—
Other payables and accruals	21,095,162	17,697,168	1,150,990	516,290
Deposits received	29,588,658	2,253,386	—	—
	55,717,421	27,071,859	1,150,990	516,290

At the balance sheet date, the ageing analysis of the trade creditors was as follows:

	2007	**2006**
	HK$	*HK$*
Within 30 days	3,924,636	5,939,181
31 to 60 days	600,205	738,134
61 to 90 days	88	14,420
Over 90 days	508,672	429,570
	5,033,601	7,121,305

Trade and other payables are expected to be settled within one year. The fair values of trade and other payables approximate their respective carrying amounts at the balance sheet date.

Included in trade and other payables in the consolidated balance sheet are the following amounts denominated in a currency other than the functional currency of the Group:

	2007	**2006**
	MOP	*MOP*
Macau Pataca	4,561,811	11,403,244
	RMB	*RMB*
Renminbi	32,711,723	—

28. Amounts due to minority shareholders

The amounts due to minority shareholders are unsecured and repayable on demand.

An amount of HK$13,948,802 bears interest at prime rate quoted by Chiyu Banking Corporation.

29. Secured bank borrowings

Group

Secured bank borrowings are repayable as follows:

	2007	2006
	HK$	*HK$*
Within one year	—	28,122,176
After one year but within two years	—	29,784,959
After two years but within five years	—	82,321,599
	—	140,228,734
Amount due within one year included in current liabilities	—	(28,122,176)
Amount due after one year	—	112,106,558

At 31 March 2006, the bank borrowings were secured by:

(i) the hotel property *(note 15)* in Macau, the interests in leasehold land for own use under operating leases *(note 17)* and land premium *(note 18)* with an aggregate carrying value of HK$463,271,466;

(ii) corporate guarantee by the Company in the amount of HK$230,000,000; and

(iii) one of the investment properties in Hong Kong with a carrying value of HK$3,500,000.

The directors consider that the carrying values of the bank borrowings as at 31 March 2006 approximate their fair values.

During the 2007 financial year, the bank borrowings were settled upon the disposal of Waldorf and the above securities were released.

Interest was charged on the bank borrowings at prime rate less 2% per annum during the period up to the settlement date (2006: at a range of prime rates less 1.5% to 2% per annum).

30. Share capital

	2007 Number of shares	2007 HK$	2006 Number of shares	2006 HK$
Authorised:				
Ordinary shares of HK$0.05 each				
At 1 April	3,800,000,000	190,000,000	2,000,000,000	100,000,000
Increase in authorised ordinary shares	—	—	1,800,000,000	90,000,000
At 31 March	3,800,000,000	190,000,000	3,800,000,000	190,000,000
Issued and fully paid:				
At 1 April	2,630,121,600	131,506,080	1,095,884,000	54,794,200
New shares issued — placing	—	—	219,176,800	10,958,840
New shares issued	—	—	1,315,060,800	65,753,040
At 31 March	2,630,121,600	131,506,080	2,630,121,600	131,506,080

By a special resolution dated 3 October 2005, the authorised share capital of the Company was increased from HK$100 million divided into 2,000,000,000 ordinary shares of HK$0.05 each to HK$190 million by the creation of a further 1,800,000,000 shares of HK$0.05 each ranking pari passu in all respects with the existing shares of the Company.

On 25 May 2005, the Company issued 219,176,800 shares to its major shareholder pursuant to a top-up placing agreement entered into on 11 May 2005 at a placing price of HK$0.6 per share.

On 24 October 2005, the Company issued 1,315,060,800 shares at HK$0.15 per share pursuant to an open offer to its shareholders. The shares were issued to fund the acquisition of Waldorf and its subsidiaries, a group of companies principally engaged in the ownership and operation of a hotel in Macau.

31. Share options

On 30 August 2002, the Company adopted a share option scheme (the "Scheme") for the purpose of attracting and retaining quality personnel and other persons who may contribute to the business and operation of the Group. Options may be granted without any initial payment to persons including directors, employees or consultants of the Group. Presently the maximum number of shares issuable under the Scheme is 109,588,400 shares (being 10% of the issued share capital of the Company at 30 August 2002). The maximum number of shares in respect of which options may be granted to any one person in any 12-month period is 1% of the issued share capital of the Company on the last date of such 12-month period unless with shareholders' approval. The option period shall not be more than 10 years from the date of grant of an option, and may include a minimum period an option must be held before it can be exercised. The exercise price is the highest of (i) the nominal value of one share of the Company; (ii) the closing price per share as stated in the daily quotation sheets of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date of the grant of the option; and (iii) the average closing price per share as stated in the Stock Exchange's daily quotation sheets for the 5 business days immediately preceding the date of the grant of the option. The Scheme will remain in force until 29 August 2012.

On 13 December 2005, options to subscribed for a total of 70,000,000 shares of the Company were granted to the executive directors of the Company at the exercise price of HK$0.2254 per share. The options may be exercised from the date of grant to 30 August 2012.

No option was exercised during the year and thus the total number of shares under outstanding options as at 31 March 2007 was 70,000,000 (2006: 70,000,000).

The following information is relevant in the determination of the fair value of the outstanding options.

	2007
Option pricing model used	**Binomial lattice**
Weighted average share price at grant date	**HK$0.215**
Exercise price	**HK$0.2254**
Date of expiry	**30 August 2012**
Expected volatility	**80%**
Expected dividend growth rate	**0%**
Risk-free interest rate	**4.354%**

	2007	**2006**
	HK$	*HK$*
Option expense	—	3,934,394

32. Capital and reserves

(a) Group

	Share capital	Share premium	Contributed surplus	Employee share-based compensation reserve	Other properties revaluation reserve	Foreign exchange reserve	Accumulated losses	Equity attributable to equity holders of the Company	Minority interests	Total equity
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
2006										
At 1 April 2005	54,794,200	293,365,856	28,784,000	—	70,875,218	—	(225,716,506)	222,102,768	—	222,102,768
Issue of shares at premium	76,711,880	252,053,320	—	—	—	—	—	328,765,200	—	328,765,200
Share issue expenses	—	(5,247,098)	—	—	—	—	—	(5,247,098)	—	(5,247,098)
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	12,174,182	12,174,182
Capital contribution from minority interests	—	—	—	—	—	—	—	—	95,889	95,889
Surplus on revaluation	—	—	—	—	2,200,650	—	—	2,200,650	—	2,200,650
Revaluation — tax effect	—	—	—	—	(385,114)	—	—	(385,114)	—	(385,114)
Employee share option benefits	—	—	—	3,934,394	—	—	—	3,934,394	—	3,934,394
Profit for the year	—	—	—	—	—	—	45,491,787	45,491,787	(3,112,267)	42,379,520
At 31 March 2006	131,506,080	540,172,078	28,784,000	3,934,394	72,690,754	—	(180,224,719)	596,862,587	9,157,804	606,020,391

	Share capital HK$	Share premium HK$	Contributed surplus HK$	Employee share-based compen-sation reserve HK$	Other properties revaluation reserve HK$	Foreign exchange reserve HK$	Accu-mulated losses HK$	Equity attributable to equity holders of the Company HK$	Minority interests HK$	Total equity HK$
2007										
At 1 April 2006	131,506,080	540,172,078	28,784,000	3,934,394	72,690,754	—	(180,224,719)	596,862,587	9,157,804	606,020,391
Capital contribution from minority interests	—	—	—	—	—	—	—	—	31	31
Translation reserve	—	—	—	—	—	120,912	—	120,912	274,225	395,137
Disposal of subsidiaries	—	—	—	—	—	—	—	—	(12,373,255)	(12,373,255)
Surplus on revaluation	—	—	—	—	2,215,650	—	—	2,215,650	—	2,215,650
Revaluation — tax effect	—	—	—	—	(387,739)	—	—	(387,739)	—	(387,739)
Profit for the year	—	—	—	—	—	—	57,132,114	57,132,114	(6,350,751)	50,781,363
At 31 March 2007	131,506,080	540,172,078	28,784,000	3,934,394	74,518,665	120,912	(123,092,605)	655,943,524	(9,291,946)	646,651,578

(b) Company

	Share capital HK$	Share premium HK$	Contributed surplus HK$	Employee share-based compensation reserves HK$	Accumulated losses HK$	Total HK$
At 1 April 2005	54,794,200	293,365,856	28,784,000	—	(247,621,688)	129,322,368
Issue of shares at premium	76,711,880	252,053,320	—	—	—	328,765,200
Share issue expenses	—	(5,247,098)	—	—	—	(5,247,098)
Employee share option benefits	—	—	—	3,934,394	—	3,934,394
Loss for the year	—	—	—	—	(5,544,218)	(5,544,218)
At 31 March 2006	131,506,080	540,172,078	28,784,000	3,934,394	(253,165,906)	451,230,646
Loss for the year	—	—	—	—	(5,870,149)	(5,870,149)
At 31 March 2007	131,506,080	540,172,078	28,784,000	3,934,394	(259,036,055)	445,360,497

The contributed surplus represents the difference between the consolidated shareholders' funds of the subsidiaries at the date when they were acquired by the Company and the nominal amount of the Company's shares issued for the acquisition at the time of the group reorganisation prior to the listing of the Company's shares in 1991. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is available for distribution to the shareholders provided that the Company is able to pay its liabilities as they become due after distribution and the realisable value of the Company's assets would not be less than the aggregate of its liabilities, issued share capital and share premium accounts.

33. Provision for long service payments

The Group has recorded provisions for long service payment obligations for employees who had completed the required number of years of service under Hong Kong's Employment Ordinance. The provisions are calculated based on the Group's best estimates using the projected unit credit method.

The amounts recognised in the balance sheet are as follows:

	Group	
	2007	**2006**
	HK$	*HK$*
Present value of funded obligations	2,262,353	2,307,157

The amounts recognised in the consolidated income statement are as follows:

	Group	
	2007	**2006**
	HK$	*HK$*
Current service cost	1,049,236	773,467
Interest cost	252,726	175,537
Net actuarial gains recognised during the year	(470,030)	(229,871)
	831,932	719,133

Movements in the provision for long service payments are as follows:

	Group	
	2007	**2006**
	HK$	*HK$*
At beginning of year	2,307,157	2,815,402
Total expense recognised in the income statement	831,932	719,933
Payments made during the year:		
— MPF contributions	(831,932)	(681,649)
— Long service payments	(44,804)	(546,529)
At end of year	2,262,353	2,307,157

The principal actuarial assumptions used were as follows:

	Group	
	2007	**2006**
Discount rate	5.5%	4.4%
Expected rate of future salary increases	1.2%	1.2%

34. Acquisition of subsidiaries in the prior year

In the 2006 financial year, the Group made a series of acquisitions, details of which are as follows:

(a) On 12 May 2005, the Company's wholly-owned subsidiary, Well Prime International Limited ("Well Prime"), subscribed for 600 ordinary shares in Reli-a-bo Entertainment Limited ("Reli-a-bo"), representing 60% equity interest in Reli-a-bo, for a consideration of HK$600. At the date of acquisition, Reli-a-bo had not commenced operations since incorporation but had incurred pre-operating costs. Reli-a-bo carries on the business of talent management in the entertainment industry.

(b) On 12 July 2005, the Company's wholly owned subsidiary, Winkler Profits Limited ("Winkler") subscribed for 51% of the issued shares of Witty Ventures Limited ("Witty") for a consideration of HK$51. Witty is engaged in the retail trading of watches.

The above businesses contributed revenues of HK$71,131,000 and a net loss of HK$5,715,000 for the year ended 31 March 2006.

A summary of the total net assets acquired and goodwill from the acquisitions mentioned in (a) to (b) above are as follows:

	HK$
Purchase consideration for shares acquired:	
— cash paid for the consideration	651
Purchase consideration for loan assumed	8,160,000
Fair value of net liabilities assumed (see below)	448,976
Fair value of loan	(8,160,000)
Goodwill	449,627

The total assets and liabilities arising from these acquisitions are as follows:

	Acquirees' carrying amounts *HK$*	**Fair value** *HK$*
Cash and cash equivalents	1,102,323	1,102,323
Property, plant and equipment	355,497	355,497
Inventories	14,541,420	14,541,420
Trade and other receivables	101,764	101,764
Trade and other payables	(49,120)	(49,120)
Payable to shareholders	(16,800,164)	(16,800,164)
Net liabilities assumed	(748,280)	(748,280)
Minority interests		299,304
Net liabilities		(448,976)
Purchase consideration settled in cash		8,160,651
Cash and cash equivalents in subsidiaries acquired		(1,102,323)
Cash outflow on acquisition		7,058,328

(c) On 3 and 6 June 2005, the Company's wholly owned subsidiary, Worldaim Enterprise Limited ("Worldaim"), subscribed for 51 shares in Wellprecise Limited ("Wellprecise"), representing 51% equity interest in Wellprecise, for a consideration of HK$51.

On 19 January 2006 and 20 March 2006, Worldaim further acquired a total of 29% equity interest in Wellprecise from a minority shareholder at a total consideration of HK$29. At the dates of acquisition, the fair value of 29% of the net liabilities assumed was HK$920,465, resulting in goodwill of HK$920,494.

(d) On 28 October 2005, the Company's wholly-owned subsidiary, Widelead Group Limited ("Widelead") acquired 95% of the registered capital of Waldorf, a group of companies principally engaged in the ownership and operation of a hotel in Macau SAR, for a total cash consideration of MOP191,442,400 (approximately HK$185,866,408) from two related companies, Wealth Access Holdings Limited ("Wealth Access") and Sunling Resources Limited. In addition, Widelead acquired the rights and benefits of unsecured interest-free loan of MOP90,557,600 (approximately HK$87,920,000) advanced by Wealth Access to Waldorf for a total cash consideration of MOP90,557,600. The Company and the related companies have common directors and beneficial shareholders.

A summary of the total net assets acquired and goodwill from this acquisition is as follows:

	HK$
Purchase consideration for shares:	
— Cash paid	185,866,408
— Direct costs relating to the acquisition	3,880,587
	189,746,995
Purchase consideration for loan assumed	87,920,000
Total purchase consideration	277,666,995
Fair value of net assets acquired — as shown below	(219,507,392)
Fair value of loan	(87,920,000)
Excess of fair value of net assets acquired over cost of acquisition of subsidiaries	(29,760,397)

The assets and liabilities arising from the acquisition are as follows:

	Acquirees' carrying amounts	**Fair value**
	HK$	*HK$*
Cash and cash equivalents	33,724,521	33,724,521
Goodwill	15,000	15,000
Property, plant and equipment	172,136,225	229,401,432
Interests in leasehold land for own use under operating leases	75,368,572	75,368,572
Land premium	—	185,796,476
Investment properties	3,000,000	3,000,000
Inventories	2,309,674	2,309,674
Trade and other receivables	11,527,886	11,527,886
Trade and other payables	(21,415,171)	(21,415,171)
Payable to shareholders	(107,920,000)	(107,920,000)
Bank borrowings	(151,532,202)	(151,532,202)
Net deferred tax liabilities	—	(29,215,775)
Net assets	17,214,505	231,060,413
Minority interests		(11,553,021)
Net assets acquired		219,507,392
Purchase consideration settled in cash		277,666,995
Cash and cash equivalents in subsidiary acquired		(33,724,521)
Cash outflow on acquisition		243,942,474

Since the date of acquisition, the above business contributed revenues of HK$55,628,000 and a net profit of HK$9,252,000. Had the acquisition been completed on 1 April 2005, the total revenue and profit for the year ended 31 March 2006 would have been HK$132,439,000 and HK$22,151,000 respectively.

35. Disposal of subsidiaries

During the year, the Group disposed of its subsidiaries, Waldorf and its subsidiaries (the "Waldorf Group") and discontinued the hotel operations. The net assets of the Waldorf Group at the date of disposal were as follows:

	2007	**2006**
	HK$	*HK$*
Investment — unlisted	—	100
Property, plant and equipment	184,573,298	209,179,232
Interests in leasehold land for own use under operating leases	73,784,580	74,649,407
Land premium	181,891,663	183,994,620
Inventories	1,426,930	1,825,904
Trade and other receivables	13,469,270	13,360,940
Cash and cash equivalents	16,018,018	43,771,041
Trade and other payables	(11,138,684)	(10,996,111)
Bank borrowings	(75,718,970)	(139,125,544)
Shareholders' loan	(107,920,000)	(107,920,000)
Deferred tax liabilities	(28,921,001)	(28,921,001)
	247,465,104	239,818,588
Minority interests	(12,373,255)	
Net assets disposed of	235,091,849	
Gain on disposal	81,504,515	
Shareholder's loan assigned	87,920,000	
Total consideration	404,516,364	
Satisfied by:		
Cash received	386,978,820	
Deferred consideration*	17,537,544	
	404,516,364	
Net cash inflow arising on disposal:		
Cash consideration	386,978,820	
Cash and cash equivalents disposed of	(16,018,018)	
	370,960,802	

* *The Group received the deferred consideration on 16 May 2007.*

36. Note to the consolidated cash flow statement

Reconciliation of profit for the year to net cash generated from operations:

	2007	2006
	HK$	*HK$*
Profit for the year	50,781,363	42,379,520
Income tax expense	(1,053,777)	3,271,377
Interest income	(7,533,232)	(3,273,315)
Gain on disposal of subsidiaries	(81,504,515)	—
Increase in fair value of investment properties	—	(4,500,000)
Impairment loss of goodwill	19,003,140	1,370,121
Amortisation of deferred expenditure	744,125	—
Amortisation of pre-paid licence fee	2,500,000	—
Operating lease rental in respect of interests in leasehold land for own use	864,827	719,165
Excess of fair value of net assets acquired over cost of acquisition of subsidiaries	—	(29,760,397)
Amortisation of land premium	2,102,957	1,801,856
Share option expenses	—	3,934,394
Property, plant and equipment written off	5,064,157	—
Depreciation of property, plant and equipment	29,721,303	25,133,629
Interest expenses	7,735,721	3,384,886
Net exchange difference	395,137	—
Operating profit before working capital changes	28,821,206	44,461,236
Increase in inventories	(6,076,495)	(4,364,467)
Increase in trade and other receivables	(28,957,320)	(1,104,637)
Increase/(decrease) in trade and other payables	39,784,246	(8,823,754)
Payment for licence fee	(10,000,000)	—
Decrease in provision for long service payments	(44,804)	(508,245)
Net cash generated from operations	23,526,833	29,660,133

37. Commitments

(a) Operating lease commitments

At the balance sheet date, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of office premises, shops and warehouse premises as follows:

	Group	
	2007	2006
	HK$	*HK$*
Within one year	12,411,560	7,669,248
Within two to five years	8,846,190	4,249,565
	21,257,750	11,918,813

The Company did not have any commitments under operating leases at 31 March 2007 (2006: Nil).

(b) ***Operating lease rental receivables***

At the balance sheet date, the Group's future aggregate minimum rental receivables under non-cancellable operating leases are as follows:

	Group	
	2007	**2006**
	HK$	*HK$*
Within one year	2,982,000	38,295,482
Within two to five years	1,235,000	69,107,161
Over five years	—	1,080,000
	4,217,000	108,482,643

The Company did not have any operating lease rental receivables at 31 March 2007 (2006: Nil).

(c) ***Capital commitments***

The Group and the Company did not have any capital commitments at 31 March 2007 (2006: Nil).

38. Related party transactions

Significant related party transactions during the year were:

		Group	
		2007	**2006**
	Notes	*HK$*	*HK$*
Acquisition of subsidiary from related companies	*(a)*	—	185,866,408
Hotel revenue, food and beverage revenues	*(b)*	5,941,756	1,573,130
Reimbursement of salaries and other allowances	*(b)*	24,306,230	7,897,061
Reimbursement of administrative expenses	*(b)*	1,211,140	392,332
Rental expenses to related companies	*(c)*	3,019,170	2,854,200
Service income from related company	*(d)*	—	1,327,285
Sponsorship income from related company	*(e)*	150,000	—

(a) On 28 October 2005, the Company's wholly-owned subsidiary, Widelead acquired 95% of the registered capital of Waldorf, the holding company of a group of companies principally engaged in the ownership and operation of a hotel in Macau, for a total cash consideration of MOP191,442,400 (approximately HK$185,866,408) from Wealth Access and Sunling Resources Limited, both related companies. In addition, Widelead acquired the rights and benefits of unsecured interest-free loans of MOP90,557,600 (approximately HK$87,920,000) advanced by Wealth Access to Waldorf for a total cash consideration of MOP90,557,600. The Company and the related companies have common directors and beneficial shareholders.

(b) One of the subsidiaries of the Group, Waldo Hotel Limited ("Waldo Hotel") entered into a memorandum dated 25 August 2005 (as amended on 29 August 2005) (the "Memorandum") with Waldo Entertainment Limited ("Waldo Entertainment") of which Yeung Chi Hang, a director of the Company, is a director and has beneficial interest. Waldo Entertainment is a service provider for a casino located in the hotel property of the Group. Pursuant to the Memorandum, Waldo Hotel agreed to provide certain services and facilities to the casino and its customers commencing from the date of the Memorandum up to 31 March 2008. Related services included serving of food and beverages, provision of cleaning services and hotel accommodation services to Waldo Entertainment. Hotel revenue, food and beverage revenue were charged to Waldo Entertainment and the transactions were carried out at terms by reference to market prices of similar transactions.

Salaries, other allowances and certain administrative expenses were reimbursed by Waldo Entertainment at cost in accordance with the terms of the Memorandum.

(c) Rental expenses were charged by related companies which are associates of two directors of the Company, Ma Shuk Kam and Yeung Chi Hang, and a director of certain subsidiaries, Cheng Kwee, based on the tenancy agreements signed between the parties. The transactions were carried out at terms by reference to market prices of similar transactions.

(d) Service income was charged to Great China Limited, an associate of Yeung Chi Hang and Cheng Kwee.

(e) Sponsorship income was received from Grand Waldo Hotel Limited, an associate of Yeung Chi Hang, by Cite Du Louvre Limited, which is located in Macau for its grand opening.

(f) On 14 July 2006, Well Allied, an indirect non-wholly owned subsidiary of the Company, and PLD International Co. Ltd. ("PLD") entered into an agreement (the "Agreement") pursuant to which Well Allied and PLD agreed to co-operate to realise the benefits of the following agreements entered by 中音傳播(深圳)有限公司 (China Music Video Broadcast (Shenzhen) Company Limited) (a wholly owned subsidiary of Well Allied) relating to licensing of copyright to karaoke music products to karaoke operators in the PRC (the "Co-operation Agreements"):

(i) a copyright co-operation agreement with 中國音像集體管理協會(China Music Video Collective Management Association) (in the course of formation) (the "Association") dated 8 May 2006;

(ii) a copyright business operation co-operation agreement with the Association and 北京天語同聲信息技術有限公司 (Song Labs, Limited) ("Song Labs") dated 8 May 2006; and

(iii) a co-operation agreement with Song Labs relating to market development and sharing of expenses and income dated 12 June 2006.

PLD has entered into contracts with various licensors (the "Contracts") whereby PLD acquires the exclusive rights to, inter alia, grant licence to karaoke operators the rights to replicate and play audio-visual works for providing vocal accompaniment to customers (the "Licence Rights") and promotion of such works in karaoke operation premises in the PRC.

In order to realise the benefits of the Co-operation Agreements, Well Allied and PLD agreed to the following arrangements in respect of the Co-operation Agreements pursuant to the Agreement:

(i) Well Allied shall exclusively manage and develop the business of licensing to karaoke operators in the PRC the rights to, inter alia, replicate and play the Audio-visual works pursuant to the Contracts on behalf of PLD;

(ii) as directed by Well Allied, PLD shall appoint China Music as its exclusive agent in the PRC under the Contracts responsible for sourcing licencees and collection of fees pursuant to the terms of the Co-operation Agreements;

(iii) PLD shall procure that all the Licence Rights be subject to the collective management of the Association through China Music on the terms and conditions of the Co-operation Agreements;

(iv) PLD shall do all things necessary to enable China Music to fulfil its obligations under the Co-operation Agreements;

(v) Well Allied shall procure China Music to duly fulfil its obligations under the Co-operation Agreements; and

(vi) the operation fees (being portion of the licence fees to be paid by the karaoke operators in the PRC) to be received by China Music pursuant to the terms of the Co-operation Agreements in respect of the Licence Rights during the period from the completion date of the Agreement up to 30 April 2009 (both dates inclusive) shall be shared by PLD and Well Allied as to (i) up to HK$95 million to PLD; and (ii) the balance to Well Allied and China Music.

As guarantee for the payment of PLD's share of the operation fees, Well Allied agrees to pay HK$95 million to PLD in cash.

39. Financial risk management

The Group is exposed through its operations to the certain financial risks. The directors analysed these risks and consider that appropriate management and controls are in place to mitigate these risks.

(a) Liquidity risk

The Group financial position is strong with cash and cash equivalents of HK$438 million and available banking facilities of HK$52 million. The Group maintains good business relationships with banks and has banking facilities for future business development. Therefore, the directors consider liquidity risk to be minimal.

(b) Credit Risk

Credit sales are limited to certain long-standing and reliable customers. There have been few incidents of bad debt write-offs in the Group's history. The directors consider credit risk to be minimal.

(c) ***Foreign currency risk***

There is little foreign exchange risk because the Group's operations are located in Hong Kong, Macau and the PRC. As the Macau Pataca trades within a narrow band around Hong Kong dollars and the directors consider appropriate monitoring controls are in place to mitigate the foreign currency risk relating to the Renminbi, the directors consider foreign currency risk to be minimal.

(d) ***Cash flow and interest rate risk***

Cash flow risk is limited as the Group is able to generate sufficient cash flows from operations to meet the cash requirements for its day-to-day operations.

Interest rate risk is the risk that the position of the Group may be adversely affected by the change in market interest rates. The Group has no bank borrowings and is not exposed to interest rate risk.

Therefore, the directors consider the Group's exposure to cash flow and interest rate risk to be minimal.

40. Critical accounting judgement and key sources of estimation uncertainty

Estimates and judgements are 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 key assumptions and judgments used in preparing the financial statements that have a significant effect on the carrying amounts of assets and liabilities are discussed below:

(a) ***Distinction between owner-managed properties and investment properties***

The Group determines whether a property qualifies as investment property. The hotel property comprises a portion that is held to earn rental income and a portion held for use in the production or supply of goods and services or for administrative purposes. If these portions can be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is applied in determining whether the ancillary services are so significant that a property does not qualify as investment property.

(b) ***Fair value of investment properties and land and buildings***

The fair value of the investment properties and land and buildings are determined by independent valuers on an open market for existing use basis. In making their judgement, consideration has been given to assumptions that are mainly based on market conditions existing at the balance sheet date, by reference to recent market transactions and appropriate capitalisation rates based on an estimation of the rental income. These estimates are regularly compared to actual market data and actual transactions entered into by the Group.

The fair value of the hotel property at the date of acquisition is determined by independent valuers on an open market for existing use basis. The apportionment between the value of land and building of the hotel property is determined by making an assessment of the net replacement cost of the building as at the date of valuation and deducting this from the valuation of the property.

(c) ***Useful lives of property, plant and equipment***

Management determines the estimated useful lives of the property, plant and equipment. Management will revise depreciation charges when useful lives differ from previous estimates.

(d) ***Impairment test 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.

(e) ***Share option***

The fair value of share option granted is estimated by independent professional valuers based on various assumptions on volatility, life of options, dividends paid out rate and annual risk-free rate which generally represent the best estimate of the fair value of the share option at date of grant.

(f) ***Provision for long service payments***

The obligations for long service payments are assessed using the projected unit credit method. The provisions are calculated as the present values of the estimated future cash outflows for each employee. To estimate the future cash flows, management uses the best estimates for suitable discount rates and expected rates of future salary increases.

41. Post balance sheet events

(a) On 13 April 2007, Wise Mark Group Limited ("Wise Mark"), a wholly owned subsidiary of the Company, entered into an agreement with Mr. Yeung Chi Hang (the Chairman of the Company) and Madam Ma Shuk Kam (an executive director of the Company) (the "Vendors") whereby Wise Mark agreed to purchase from the Vendors the entire issue share capital of Shenzhen Land Company Limited ("Shenzhen Land") for a total consideration of HK$31,565,901.

(b) On 13 April 2007, Golden Islands (Management) Limited ("GI Management"), a wholly owned subsidiary of the Company, entered into an agreement with Well Harvest Enterprises Limited (the "Assignor"), a company wholly owned by Madam Ma Shuk Kam, whereby GI Management agreed to acquire from the Assignor all the benefits of an interest free unsecured loan of HK$16,434,099 advanced to Shenzhen Land for a consideration of HK$16,434,099.

(c) In June 2007, the Company issued 22 million shares to each of Messrs. Yeung Chi Hang, Ma Shuk Kam and Yeung Kit Yu, Kitty and 1 million shares to each of Messrs. Liu Yu Mo, Chung Siu Wah and Chik To Pan on their exercise of options at the price of HK$0.2254 per share.

(d) On 18 June 2007, 中音傳播(深圳)有限公司, an indirect non-wholly owned subsidiary of the Company, entered into a joint operation co-operation agreement with 北京天語同聲信息技術有限公司 (Song Labs., Ltd.) and 北京中文發數字科技有限公司 (Beijing CD Digital Technology Co., Ltd.) relating to charge of license fee for copyright to contents of karaoke music products on an on-demand basis implemented through the national management service system for contents of karaoke music to be established by 文化部文化市場發展中心 (Culture

Market Development Centre of the Culture Division) as appointed by 文化部 (Culture Division) in the PRC for a term of 10 years for the business of licensing of copyright to karaoke music products to karaoke operators in the PRC (except Taiwan, Hong Kong and Macau).

(e) On 4 July 2007 Well Allied, an indirect non-wholly owned subsidiary of the Company, entered into a loan agreement for the advance of a loan of HK$9 million to PLD at the interest rate of 8% per annum and repayable within 1 year from the date of the loan agreement. Well Allied is a 51% subsidiary of Welly Champ International Limited, which is a 60% owned subsidiary of the Company. The balance of 49% interest in Well Allied is owned by Tak Full Group Limited ("Tak Full"). 55% of the issued share capital of Tak Full is owned by Messrs. Lee Tien-Yung, Li Deh-Sheng and Philip Lu Yueh-Wei, who also own the entire issued share capital of PLD.

42. Approval of financial statements

The financial statements were approved and authorised for issue by the board of directors of the Company on 11 July 2007.

3. INDEBTEDNESS

As at the close of business on 31 August 2007, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group had no outstanding borrowings.

Save as aforesaid and apart from intra-group liabilities, none of the companies in the Enlarged Group had outstanding at the close of business on 31 August 2007 any mortgages, charges or debentures, loan capital, bank overdrafts, loans, debt securities or other similar indebtedness or any finance lease commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities.

Except as disclosed above, the directors are not aware of any material changes in the Enlarged Group's indebtedness and contingent liabilities at the close of business on 31 August 2007.

4. MATERIAL CHANGE

The Directors are not aware of any material adverse changes in the financial or trading position or prospects of the Group since 31 March 2007, being the date to which the latest audited consolidated financial statements of the Group were made up.

5. WORKING CAPITAL

As at the Latest Practicable Date, after taking into account the consideration to be paid for the Acquisition, the present available banking facilities and the Enlarged Group's internally generated funds, the Directors are satisfied after due and careful enquiry that the Enlarged Group has sufficient working capital to satisfy its requirement for the next twelve months from the date of this circular.

1. STATEMENT OF UNAUDITED PRO FORMA ASSETS AND LIABILITIES OF THE ENLARGED GROUP

Introduction

The unaudited pro forma statement of assets and liabilities of the Enlarged Group has been prepared to illustrate the effect of the acquisition of 100% interest in the Wellrich Group.

The unaudited pro forma statement of assets and liabilities of the Enlarged Group has been prepared on the basis of the notes set out below and in accordance with the principal accounting policies adopted by the Group for the purpose of illustrating the effect of the Acquisition as if the Acquisition took place on 31 March 2007.

The unaudited pro forma statement of assets and liabilities of the Enlarged Group is based upon the audited consolidated balance sheet of the Group as at 31 March 2007, which has been extracted from the annual report of the Group for the year ended 31 March 2007 set out in Appendix II to this circular, after making pro forma adjustments resulting from the Acquisition.

The unaudited pro forma statement of assets and liabilities of the Enlarged Group is based on a number of assumptions, estimates and uncertainties. Accordingly, the accompanying unaudited pro forma statement of assets and liabilities of the Enlarged Group does not purport to describe the actual financial position of the Enlarged Group that would have been attained had the acquisition been completed on 31 March 2007. The unaudited pro forma statement of assets and liabilities of the Enlarged Group does not purport to predict the future financial position of the Enlarged Group.

The unaudited pro forma statement of assets and liabilities of the Enlarged Group has been prepared by the Directors for illustrative purposes only and because of its nature, it may not give a true picture of financial position of the Enlarged Group following completion of the Acquisition.

	Audited balance sheet of the Group as at 31 March 2007	Audited balance sheet of Wellrich Group as at 30 June 2007	Total	Proforma adjustments in relation to the Acquisition	Notes	The Enlarged Group
	HK$	*HK$*	*HK$*	*HK$*	*Notes*	*HK$*
Non-current assets						
Intangible assets	—	14,599,668	14,599,668			14,599,668
Property, plant and equipment	105,594,731	182,006,640	287,601,371	241,941,734	*1*	529,543,105
Investment properties	100,500,000	—	100,500,000	—		100,500,000
Deferred expenditure	3,988,251	—	3,988,251	—		3,988,251
Deferred tax asset	5,616,256	713,575	6,329,831	—		6,329,831
Total non-current assets	215,699,238	197,319,883	413,019,121	241,941,734		654,960,855
Current assets						
Inventories	27,594,127	4,328,080	31,922,207	—		31,922,207
Trade and other receivables	59,731,426	9,653,428	69,384,854	—		69,384,854
Deferred expenditure	45,267,624	—	45,267,624	—		45,267,624
Cash and cash equivalents	438,160,876	25,076,003	463,236,879	(120,000,000)	*2*	343,236,879
Total current assets	570,754,053	39,057,511	609,811,564	(120,000,000)		489,811,564
Current liabilities						
Trade and other payables	55,717,421	15,908,641	71,626,062	—		71,626,062
Amounts due to minority shareholders	66,875,269	—	66,875,269	—		66,875,269
Provision for taxation	518,984	—	518,984	—		518,984
Shareholders' loan		254,243,407	254,243,407	(254,243,407)	*3*	—
Total current liabilities	123,111,674	270,152,048	393,263,722	(254,243,407)		139,020,315
Net current assets	447,642,379	(231,094,537)	216,547,842	134,243,407		350,791,249
Total assets less current liablities	663,341,617	(33,774,654)	629,566,963	376,185,141		1,005,752,104
Non-current liabilities						
Secured bank borrowings	—	—	—	—		—
Provision for long service payments	2,262,353	—	2,262,353	—		—
Deferred tax liabilities	14,427,686	—	14,427,686	42,339,804	*1*	56,767,490
Total non-current liabilities	16,690,039	—	16,690,039	42,339,804		56,767,490
Minority Interest				11,976,116	*4*	11,976,116
Net assets	646,651,578	(33,774,654)	612,876,924	321,869,221		937,008,498

Notes:

1. This is to record the fair value adjustments arising from the Acquisition. The fair value adjustments included (i) the difference of the book value of the Properties of RMB131,108,446 (approximately HK$136,379,006) as at 30 June 2007 and the revaluation of the Properties of RMB363,700,000 (approximately HK$378,320,740) which have been valued by the Valuer as at 31 August 2007 as set out in Appendix IV to this circular and (ii) the corresponding estimated deferred income tax liabilities.

2. This is to record the settlement of the cash consideration of HK$120 million. The total consideration for the Sale Shares and the Loan is HK$355.6 million, HK$120 million of which shall be paid in cash and HK$235.6 million to be satisfied by the issue and allotment of 699,109,792 Consideration Shares at the issue price of HK$0.337 per Share.

3. This is to record the settlement of the unsecured loans advanced by the Vendor to Wellrich as at the Completion Date. As at 30 June 2007, the loans advanced by the Vendor amounted to HK$254,243,407.

4. This is to record the 6% minority interest in the JV Company (after taking into consideration of the fair value adjustments in Note 1 above i.e. 6% of the sum of the revaluation surplus of HK$241,941,734 and deferred tax liabilities of HK$42,339,804) arising from the Acquisition. The basis of the calculation of the minority interest is set out under note 3(c) of the financial statements of the Group on page 76 of this circular.

2. LETTER FROM THE AUDITORS ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the text of a report from BDO McCabe Lo Limited in respect of the unaudited pro forma financial information of the Enlarged Group for the sole purpose of incorporation in this circular.

BDO

BDO McCabe Lo Limited
Certified Public Accountants
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德豪嘉信會計師事務所有限公司

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The Directors
United Power Investment Limited
Room 2801-11
28/F Shun Tak Centre
West Tower
200 Connaught Road Central
Hong Kong

7 November 2007

Dear Sirs,

We report on the statement of unaudited pro forma statement of assets and liabilities (the "Unaudited Pro Forma Financial Information") of United Power Investment Limited (the "Company") and its subsidiaries (collectively the "Group") set out in Appendix III to the circular dated 7 November 2007 (the "Circular") in connection with the proposed acquisition of the entire issued share capital of, and the benefits of all shareholder's loans to, Wellrich Investment Limited. The basis of preparation of the Unaudited Pro Forma Financial Information is set out on pages 133 of the Circular. 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 acquisition might have affected the financial information presented.

Responsibilities

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). It is our responsibility to form an opinion, as required by paragraph 4.29(7) of 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 (HKSIR) 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information 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 paragraph 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, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Enlarged Group as at 31 March 2007 or any future date.

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 paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

BDO McCABE Lo Limited
Certified Public Accountants
Tony Yuk Tung Chan
Practising Certificate Number P04654

Vigers Appraisal & Consulting Limited
International Asset Appraisal Consultants
10th Floor, The Grande Building
398 Kwun Tong Road
Kowloon
Hong Kong

VIGERS
威格斯

7 November 2007

The Directors
United Power Investment Limited
Rooms 2810-2811, 28th Floor
West Tower
Shun Tak Centre
200 Connaught Road Central
Hong Kong

Dear Sirs,

In accordance with your instructions for us to value the property interest held by 肇慶星湖俱樂部 for investment purpose in the People's Republic of China (the "PRC"), we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of such property interest as at 31 August 2007 (the "date of valuation") for the purpose of incorporation in the circular of United Power Investment Limited (the "Company") dated 7 November 2007.

Our valuation is our opinion of the market value of the property interest which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

We have been provided with certain extracts of title documents relating to the property. However, we have not scrutinized the original documents to verify the ownership, encumbrances or the existence of any subsequent amendments which may not appear on the copies handed to us. In undertaking our valuation for the property interest, we have relied on the legal opinion (the "PRC Legal Opinion") provided by the Company's PRC legal adviser, Hills & Co.

We have estimated the value of the property by the Comparison Approach via making reference to comparable sales evidences in the relevant market and the standard land prices of the city assuming sale subject to the existing tenancy.

Our valuation has been made on the assumption that the owners sell the property interest on the market without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to increase the value of the property interest. In addition, no forced sale situation in any manner is assumed in our valuation. Unless otherwise stated, the valuation represents the value of the entire property interest described in the valuation certificate and not the value of a share of it. Other assumptions in respect of the property, if any, have been set out in the footnotes of the valuation certificate.

We have relied to a considerable extent on information provided by the Company and have accepted advice given to us on such matters as planning approvals, statutory notices, easements, tenure, occupation, lettings, site and floor areas, development plans, construction costs, identification of the property and other relevant matters. We have also been advised by the Company that no material facts had been concealed or omitted in the information provided to us. All documents have been used for reference only.

All dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us by the Company and are approximations only. No on-site measurement has been taken. It is assumed that all applicable zoning and use regulations and restrictions have been complied with. Moreover, it is assumed that the utilization of the land and improvements is within the boundaries of the property described and that no encroachment or trespass exists.

We have carried out inspection on the property. However, no structural survey has been made and we are therefore unable to report whether the property is free from rot, infestation or any other structural defects. No tests were carried out on any of the services.

We have not carried out investigations on site to determine the suitability of ground conditions and services etc. for any future development, nor have we undertaken any ecological or environmental surveys. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during construction period.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property interest nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interest is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

Our valuation is prepared in accordance with the HKIS Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors(HKIS) and the requirement set out in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

We enclosed herewith the valuation certificate.

Yours faithfully,
For and on behalf of
Vigers Appraisal & Consulting Limited
Raymond Ho Kai Kwong
Registered Professional Surveyor(GP)
MRICS MHKIS MSc(e-com)
Executive Director

Note:
Raymond K. K. Ho, Chartered Surveyor, MRICS, MHKIS, has over nineteen years' experience in undertaking valuations of properties in Hong Kong and Macau and has over twelve years' experience in valuations of properties in the PRC. Mr. Ho has been working with Vigers Group since 1989.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 August 2007
The land portion of a car repairing workshop located to the north of Yingbin Dadao, Zhaoqing, Guangdong Province, the PRC	The property comprises a parcel of land having a total site area of approximately 10,446 sq.m. There are a 5-storey workshop and a 5-storey dormitory block having a total gross floor area of approximately 5,125 sq.m. completed in 2002 erected on it. According to the Company, the buildings are built by the tenant and therefore excluded from the valuation. The land is held with land use rights for a term expiring on 16 March 2050.	The land is leased to 肇田汽車服務有限公司 for a term of 5 years from 1 May 2005 at a monthly rental of RMB25,314. The tenant has been granted a pre-emption right to purchase the property.	RMB3,700,000

Notes:

i. According to the State-owned Land Use Rights Certificate No. Zhao Guo Yong (2002) 00543 issued by the People's Government of Zhaoqing City, the land use rights of the property having a total site area of 10,446.28 sq.m have been granted to 肇慶星湖俱樂部 (the "JV") for a term expiring on 16 March 2050 for car repairing workshop uses.

ii. The PRC legal opinion states, inter alia, the following:

1. The JV is a joint venture established on 8 December 1993 for an operating period up to 7 December 2043(Business Registration No. Qi Zuo Yue Zhao Zong Zi No.001489). The investors comprises 偉富投資有限公司(Party A) and 肇慶市粵西園林建築工程公司(Party B). Party A and Party B have interest in 94% and 6% of the registered capital of the JV respectively. Party B injected capital in the form of land use rights to the JV. According to the joint venture contract and Articles of Association as amended on 20 January 1997, Party A should be entitled to all after-tax profit after the payment of a fix yearly sum of RMB1,100,000 (from the year 1995) to Party B which payment is to be increased by 5% every two years.

2. The JV is legally established in the PRC. It has obtained/completed the approvals, licences, registrations and consents from the relevant bureau of the government which are necessary for its establishment and operation. The interest of the joint venture partners in the JV are valid, legal and effective. The interests and obligations of the partners are protected and governed by the PRC laws. According to the relevant requirements, the partners may transfer all or part of its rights and obligations in the JV to other investors. However, the transfer is subject to the consent of the other partners and the approval of and registration with the relevant government bureaus.

3. According to the State-owned Land Use Rights Certificate No. Zhao Guo Yong (2002) 00543 issued by the People's Government of Zhaoqing City on 7 August 2002 and a Reply on Land Registration Enquiry issued by the State Land and Resources Bureau of Zhaoqing City on 21 September 2007, the JV is the owner of the land use rights for a term expiring on 16 March 2050 for car repairing workshop uses. The land has a site area of 10,446.28 sq.m.

4. The JV has obtained the land use rights certificate for the property. According to the title document, the land use rights held by the JV is legal and valid. During the term stated in the certificate, the JV has the right to occupy the piece of land and is entitled to assign, lease and mortgage the land use rights in accordance with the relevant regulations.

5. The JV has obtained the building ownership certificates for the buildings erected on the site. According to the title document, the title of the buildings held by the joint venture is legal and valid. The JV has the rights to occupy the buildings and is entitled to assign, lease and mortgage the buildings in accordance with the relevant regulations.

6. The tenancy agreement the JV entered into has not been registered with the relevant government authorities. The validity of the agreement is not affected by the non-registration.

Vigers Appraisal & Consulting Limited
International Asset Appraisal Consultants
10th Floor, The Grande Building
398 Kwun Tong Road
Kowloon
Hong Kong

7 November 2007

The Directors
United Power Investment Limited
Rooms 2810-2811, 28th Floor
West Tower
Shun Tak Centre
200 Connaught Road Central
Hong Kong

Dear Sirs,

In accordance with your instructions for us to value a property interest held and operated by 肇慶星湖俱樂部 as hotel in the People's Republic of China (the "PRC"), with certain special assumptions made on its alternative use and redevelopment potential, 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 value of such property interests as at 31 August 2007 (the "date of valuation") for the purpose of incorporation in the circular of United Power Investment Limited (the "Company") dated 7 November 2007.

The property is currently held and operated by 肇慶星湖俱樂部 as a hotel. However, in accordance with the instructions from the Company, the property has been valued with the special assumptions that it had been granted with a term of 70 years for residential uses and 40 years for commercial uses from the date of valuation with a total redevelopment plot ratio of 3. It was further assumed that the land use rights premium and other relevant fees for that had been fully settled and the grantee had free and uninterrupted rights to use the property and was entitled to transfer the property interest with the residual terms without payment of any further premium or onerous fee to the government. According to the Company, there has not been any development plan on the redevelopment of the property submitted to or approved by the authority. In the absence of any relevant approvals, we are unable to verify whether such proposed alternative uses are permissible or could be realized. However, in valuing the property, it was assumed that the planning and development approvals for the mentioned alternative uses and density would be obtained without undue time delay.

The valuation is our opinion of the market value of the property interest which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

In arriving at our opinion of value, we have adopted the direct comparison approach by making reference to comparable sales evidences as available in the relevant market.

Our valuation has been made on the assumption that the owners sell the property interest on the market without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to increase the value of it. In addition, no forced sale situation in any manner is assumed in our valuation. The valuation represents the value of the entire property interest described in the valuation certificate and not the value of a share of it.

We have not caused title searches to be made for the property interest at the relevant government bureau in the PRC. We have been provided with certain extracts of title documents relating to the property. However, we have not scrutinized the original documents to verify the ownership, encumbrances or the existence of any subsequent amendments which may not appear on the copies handed to us. In undertaking our valuation for the property interest, we have relied on the legal opinion (the "PRC Legal Opinion") provided by the Company's PRC legal adviser, Hills & Co.

We have relied to a considerable extent on the information provided by the Company and have accepted advice given to us on such matters as planning approvals, statutory notices, easements, tenure, occupation, lettings, site and floor areas, development plans, identification of the property and other relevant matters. We have also been advised by the Company that no material facts had been concealed or omitted in the information provided to us. All documents have been used for reference only.

All dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us by the Company and are approximations only. No on-site measurement has been taken. It is assumed that all applicable zoning and use regulations and restrictions have been complied with unless nonconformity has been stated, defined, and considered in the valuation certificate. Moreover, it is assumed that the utilization of the land and improvements is within the boundaries of the property described and that no encroachment or trespass exists, unless noted in the report.

We have carried out inspection on the property. However, no structural survey has been made and we are therefore unable to report whether the property is free from rot, infestation or any other structural defects. No tests were carried out on any of the services.

We have not carried out investigations on site to determine the suitability of ground conditions and services etc. for any future development, nor have we undertaken any ecological or environmental surveys. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during construction period.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property interest nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

Our valuation is prepared in accordance with the HKIS Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors(HKIS) and the requirement set out in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

We enclosed herewith the valuation certificate.

Yours faithfully,
For and on behalf of
Vigers Appraisal & Consulting Limited
Raymond Ho Kai Kwong
Registered Professional Surveyor(GP)
MRICS MHKIS MSc(e-com)
Executive Director

Note:
Raymond K. K. Ho, Chartered Surveyor, MRICS, MHKIS, has over nineteen years' experience in undertaking valuations of properties in Hong Kong and Macau, and has over twelve years' experience in valuations of properties in the PRC. Mr. Ho has been working with Vigers Group since 1989.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value on alternative use value with special assumptions made on its redevelopment potential as at 31 August 2007
The site occupied as Dynasty Hotel, No.9 Duan Zhou Wu Road, Zhaoqing, Guangdong Province, the PRC	The property comprises a site having a total site area of approximately 26,198 sq.m with various buildings completed in 1994 and 2001. The property is occupied and operated as a hotel under the business name of Dynasty Hotel. It accommodates 350 guest rooms, various shops, Chinese restaurant, Western restaurant, Japanese restaurant, banquet room, health club, staff quarters, facilities houses, together with amenities including tennis court and swimming pool. The property has a total gross floor area of approximately 53,844 sq.m. The land lot is currently held with land use rights for a year term expiring on 14 September 2064 for commercial and services uses.	The property is currently used and operated as hotel. A portion of the property having a total gross floor area of about 8,420 sq.m. are leased out to separate tenants for various terms expiring on or before 30 June 2012. The total monthly rental is approximately RMB598,000, exclusive of management fee and service charges.	RMB360,000,000 (see note (i) below)

Notes:

i. The property is currently held and operated by 肇慶星湖俱樂部 (the "JV") as a hotel. However, in accordance with the instructions from the Company, the property has been valued with the special assumptions that it had been granted with a term of 70 years for residential uses and 40 years for commercial uses from the date of valuation with a total redevelopment plot ratio of 3. It was further assumed that the land use rights premium and other relevant fees for that had been fully settled and the grantee had free and uninterrupted rights to use the property and was entitled to transfer the property interest with the residual terms without payment of any further premium or onerous fee to the government. According to the Company, there has not been any development plan on the redevelopment of the property submitted to or approved by the authority. In the absence of any relevant approvals, we are unable to verify whether the proposed alternative uses are permissible or could be realized. It was assumed that the planning and development approvals for the mentioned alternative uses and density would be obtained without undue time delay.

ii. According to 8 Realty Title Certificates, the property having a total gross floor area of approximately 53,844sq.m. is vested in the JV for a year term expiring on 14 September 2064 for commercial and services uses. Further details are as follows:

Certificate No.	**Building**	**Gross Floor Area (approximate in sq.m.)**	**Site Area (in sq.m.)**
Yue Fang Di Zheng Zi No.0151672	Comprehensive Building	9,899	2,125.58
Yue Fang Di Zheng Zi No.0151668	Comprehensive Building	11,809	2,289.87
Yue Fang Di Zheng Zi No.0151670	Comprehensive Building	7,438	2,640.89
Yue Fang Di Zheng Zi No.0151666	Staff Quarters	3,966	404.37
Yue Fang Di Zheng Zi No.0151667	Boiler House	148	148.15
Yue Fang Di Zheng Zi No.0151665	Facility Block	980	230.46
Yue Fang Di Zheng Zi No.C1099705	—	3,212	26,197.50
Yue Fang Di Zheng Zi No.0151669	Comprehensive Building	16,390	2996.19
	Total:	**53,844**	

iii. The PRC legal opinion states, inter alia, the follows:

1. 肇慶星湖俱樂部 is a joint venture established on 8 December 1993 for an operating period up to 7 December 2043(Business Registration No. Qi Zuo Yue Zhao Zong Zi No.001489). The investors comprises 偉富投資有限公司(Party A) and 肇慶市粵西園林建築工程公司(Party B). Party A and Party B have interest in 94% and 6% of the registered capital of the JV respectively. Party B injected capital in the form of land use rights to the JV. According to the joint venture contract and Articles of Association as amended on 20 January 1997, Party A should be entitled to all after-tax profit after the payment of a fix yearly sum of RMB1,100,000 (from the year 1995) to Party B, which payment is to be increased by 5% every two years.

2. The JV is legally established in the PRC. It has obtained/completed the approvals, licences, registrations and consents from the relevant bureau of the government which are necessary for its establishment and operation. The interest of the joint venture partners in the JV are valid, legal and effective. The interests and obligations of the partners are protected and governed by the PRC laws. According to the relevant requirements, the partners may transfer all or part of its rights and obligations in the JV to other investors. However, the transfer is subject to the consent of the other partners and the approval of and registration with the relevant government bureaus.

3. According to the State-owned Land Use Rights Certificate No. Zhao Guo Yong (1996) 00231 issued from the People's Government of Zhaoqing City on 1 July 1996 and a Reply on Land Registration Enquiry issued by the State Land and Resources Bureau of Zhaoqing City on 21 September 2007, the JV is the owner of the land use rights for a term from 15 September 1994 to 14 September 2064 for commercial and service uses. The land has a site area of 26,197.5 sq.m.

4. The JV has obtained the land use rights certificate for the property. According to the title document, the land use rights held by the JV is legal and valid. During the term stated in the certificate, the joint venture has the right to occupy the piece of land and is entitled to assign, lease and mortgage the land use rights in accordance with the relevant regulations.

5. The JV may apply for the change of land use to a residential and commercial complex or other uses in compliance with the local land use planning from the State Land and Resources Bureau and Town Planning Bureau of the Zhaoqing City. Having obtained approvals and the entering of a land use rights contract, with the adjustment on land premium and the registration of the land use rights, the JV may use the land in the changed use.

6. The JV has obtained the building ownership certificates for the buildings erected on the site. According to the title document, the title of the buildings held by the joint venture is legal and valid. The JV has the rights to occupy the buildings and is entitled to assign, lease and mortgage the buildings in accordance with the relevant regulations.

7. For the redevelopment of the site, approvals and consents have to be obtained from the relevant government departments for project approval, demolition, construction and completion registration of any new building. After that, the JV may occupy, use, lease, assign or mortgage the buildings.

8. The tenancy agreements the JV entered into are binding, valid and enforceable. The effectiveness of agreements is not affected by their non-registration with the relevant government authorities.

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable inquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

SHARE CAPITAL OF THE COMPANY

Authorised and issued share capitals

As at the Latest Practicable Date, the authorised and issued share capitals of the Company were as follows:

Number of Shares		*Nominal amount*
Authorised:		
10,000,000,000 Shares		HK$500,000,000.00
Issued and fully paid:		
2,699,121,600	Shares in issue as at the Latest Practicable Date	HK$134,956,080.00
699,109,792	Consideration Shares to be issued	HK$34,955,489.60

All of the Shares currently in issue or to be issued rank pari passu in all respects with each other, including, in particular, as to dividends, voting rights and return of capital.

DISCLOSURE OF INTERESTS

Interests of Directors

As at the Latest Practicable Date, the interests of the Directors in the share capital of the Company (except the Consideration Shares) 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 which they were taken or deemed to have under such provisions of the SFO), or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein,

or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Name	Number of Shares	Nature of interest	Percentage of shareholding
Ma Shuk Kam	1,445,550,686	Corporate and personal *(Note 1)*	53.560
Yeung Chi Hang	1,445,550,686	Corporate and personal *(Note 1)*	53.560
Yeung Kit Yu, Kitty	1,445,550,686	Corporate and personal *(Note 1)*	53.560
Liu Yu Mo	1,048,000	Personal	0.039
Chung Siu Wah	1,000,000	Personal	0.037
Au Edmond Wah	1,000,000	Personal *(Note 2)*	0.037
Chik To Pan	1,000,000	Personal	0.037

Notes:

1. 1,423,550,686 Shares are owned by World Possession, the entire issued share capital of which is beneficially owned by Madam Ma, Mr. Yeung and Ms. Yeung in equal shares. Each of them also holds 22,000,000 Shares personally. Madam Ma and Mr. Yeung are directors of World Possession.

2. This is an option to subscribe for 1,000,000 Shares granted under the share option scheme of the Company at the exercise price of HK$0.2254 per Share which may be exercised from 13 December 2005 to 30 August 2012.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or any chief executive of the Company had an interest or short position in any shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which would have 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 he was taken or deemed to have under such provisions of the SFO) or which was required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules to be notified to the Company and the Stock Exchange.

Interests of other persons in the share capital of the Company

As at the Latest Practicable Date, so far as is known to the Directors, the following persons (other than a Director or chief executive of the Company) had an interest in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name	Number of Shares	Nature of interest	Percentage of shareholding
World Possession	1,423,550,686	Beneficial owner	52.74

Save as disclosed above, as at the Latest Practicable Date, according to the register of interests required to be kept by the Company under section 336 of the SFO, there was no person who had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Interests in other members of the Group

As at the Latest Practicable Date, so far as is known to the Directors, the following persons (other than a Director or chief executive of the Company) were, directly or indirectly, interested in 10% or more of the nominal value of the share capital carrying rights to vote in all circumstances at general meetings of the following subsidiaries of the Company:

(a) Mr. Poon Tak Yip was interested in (i) 25% of the issued share capital of Reli-a-bo Entertainment Limited ("Reli-a-bo") and (ii) 20% of the issued share capital of Wellprecise Limited through Nation Group Limited;

(b) Mr. Wong Chor Ming was interested in 10% of the issued share capital of Reli-a-bo;

(c) Mr. Yuen Tak Yau, Daniel was interested in 40% of the issued share capital of Witty Ventures Limited and HMS Watches Company Limited respectively;

(d) each of Long Sincere International Limited and Rise Jumbo Limited was interested in 20% of the issued share capital of Welly Champ International Limited ("Welly Champ");

(e) Tak Full Group Limited ("Tak Full") was interested in 49% of the issued share capital of Well Allied Investment Limited ("Well Allied");

(f) Impeccable Group Limited ("IGL") was interested in 49% of the issued share capital of Le Caveau Limited ("LCL");

(g) Smooth Luck Investments Limited was interested in 40% of the issued share capital of Genius Star International Limited;

(h) Mr. Ng Lok Shing Ronald was interested in 49% of the issued share capital of Baron Productions and Artiste Management Company Limited; and

(i) Mr. Chan Siu Kei ("Mr. Chan") and Ms. Wong Oi Kwan Jenny Natalie, the spouse of Mr. Chan, were interested in 30% and 10% of the issued share capital of Chance Music Limited respectively.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any person (other than a Director or chief executive of the Company) who was interested, directly or indirectly, in 10% or more of the issued shares of any subsidiary of the Company or any options in respect of such capital.

Interests of experts in the Group

None of the experts named in the paragraph headed "Consents" in this appendix has any shareholding in any company in the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any company in the Group.

Service contracts

There is no existing or proposed service contract between any member of the Group and any Director or proposed Director (excluding contracts expiring or determinable by the Company within one year without payment of compensation (other than statutory compensation)).

Competing business

None of the Directors or any of their respective associates has any interest in any business which competes or is likely to compete, either directly or indirectly, with the Group's business.

Interests in assets, contract or arrangement

Since 31 March 2007, the date of the latest published audited financial statements of the Group, none of the Directors has any direct or indirect interest in any assets acquired or disposed of by or leased to or proposed to be acquired or disposed of by or leased to any member of the Group except the Agreement and the following:

(a) the following tenancy agreements were entered into between associates of Mr. Yeung and Madam Ma as landlords and Golden Island Catering Group Company Limited, a wholly owned subsidiary of the Company, as tenant:

1. Tenancy agreement dated 30 November 2006 relating to No. 135, Waterloo Road, Kowloon, Hong Kong

Landlord	Term	Monthly rent
West Global Investments Limited (an associate of Mr. Yeung and Madam Ma)	1 December 2006 to 30 November 2008 (with an option to renew for a further term of 1 year at the then prevailing market rent)	HK$180,000 (exclusive of rates, management fees and government rent which are payable to independent third parties)

2. Tenancy agreement dated 18 November 2005 relating to Workshop Space B on the 2nd Floor, Fung Wah Factorial Building, Nos. 646, 648 and 648A Castle Peak Road, Kowloon, Hong Kong

Landlord	Term	Monthly rent
Source Expand Development Limited (an associate of Mr. Yeung and Madam Ma)	1 January 2006 to 31 December 2007	HK$9,000 (exclusive of rates, management fees and government rent which are payable to independent third parties)

3. ***Tenancy agreement dated 21 June 2006 relating to Unit 2811 on the 28th Floor of West Tower, Shun Tak Centre, Nos. 168-200 Connaught Road Central, Hong Kong***

Landlord	Term	Monthly rent
High Brand Limited (an associate of Madam Ma)	1 July 2006 to 30 June 2008	HK$51,100 from 1 February 2005 to 30 June 2006, and HK$66,430 from 1 July 2006 to 30 June 2008 (both exclusive of rates, management fees and government rent which are payable to independent third parties)

(b) the following tenancy agreements were entered into between Great China Limited, an associate of Mr. Yeung, as landlord and various subsidiaries of the Company as tenants:

1. ***Tenancy agreement dated 1 May 2006 (as amended on 21 June 2006) relating to Shop Unit No. 1F8A on the First Floor of Grand Waldo Hotel (the "Hotel")***

Tenant	Term	Monthly rent, management fee and air conditioning charges
HMS Watches Company Limited	1 May 2006 to 30 April 2009	HK$19,228

2. ***Tenancy agreement dated 1 May 2006 relating to Shop Unit No. GF6 on the Ground Floor of the Hotel***

Tenant	Term	Monthly rent, management fee and air conditioning charges
LCL	1 May 2006 to 30 April 2009	HK$49,938

(c) on 13 April 2007, Wise Mark Group Limited ("Wise Mark"), a wholly owned subsidiary of the Company, entered into an agreement with Mr. Yeung and the Vendor (the "Share Vendors") whereby Wise Mark agreed to purchase from the Share Vendors the entire issue share capital of Shenzhen Land Company Limited ("Shenzhen Land") for a total consideration of HK$31,565,901 (the "Shenzhen Land Share Sale Agreement"); and

(d) on 13 April 2007, Golden Islands (Management) Limited ("GI Management"), a wholly owned subsidiary of the Company, entered into an agreement with the Vendor whereby GI Management agreed to acquire from the Vendor all the benefits of an interest free unsecured loan of HK$16,434,099 advanced to Shenzhen Land for a consideration of HK$16,434,099 (the "Shenzhen Land Loan Sale Agreement").

Save as disclosed above, none of the Directors is materially interested in any contract or arrangement subsisting at the date of this circular which is significant in relation to the business of the Group taken as a whole.

LITIGATION

Neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

QUALIFICATION OF EXPERTS

The qualifications of the experts who have given opinions in this circular are as follows:

Name	Qualification
First Shanghai	a licensed corporation to carry out type 6 (advising on corporate finance) regulated activities under the SFO
the Valuer	professional property valuers
BDO McCabe Lo Limited ("BDO")	certified public accountants

CONSENTS

First Shanghai, the Valuer and BDO have given and have not withdrawn their respective written consents to the issue of this circular with copies of their reports, valuation or letters (as the case may be) and the references to their names included herein in the form and context in which they are respectively included.

MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years preceding the date of this circular and are or may material:

(a) a shareholders' agreement dated 21 March 2006 between (i) Win Big Profits Limited ("Win Big"), a wholly owned subsidiary of the Company; and (ii) IGL in respect of a joint venture relating to LCL;

(b) a loan agreement dated 21 March 2006 between (i) Win Big; (ii) IGL; and (iii) LCL pursuant to which Win Big and IGL advanced loans of HK$3,060,000 and HK$2,940,000 respectively to LCL;

(c) a copyright co-operation agreement dated 8 May 2006 between (i) China Music Video Broadcast (Shenzhen) Company Limited ("China Music") (a subsidiary of the Company); and (ii) China Music Video Collective Management Association (in the course of formation) (the "Association") relating to licensing of copyright to karaoke music products to karaoke operators in the PRC;

(d) a copyright business operation co-operation agreement dated 8 May 2006 between (i) China Music; (ii) the Association; and (iii) Song Labs, Ltd. ("Song Labs") relating to licensing of copyright to karaoke music products to karaoke operators in the PRC;

(e) a co-operation agreement dated 12 June 2006 between (i) China Music; and (ii) Song Labs in respect of market development and sharing of expenses and income relating to licensing of copyright to karaoke music products to karaoke operators in the PRC;

(f) a shareholders' agreement dated 12 June 2006 (as amended on 3 August 2006) between (i) the Company; (ii) Wang Wei; and (iii) Li Bin in respect of a joint venture relating to Welly Champ;

(g) a shareholders' agreement dated 12 June 2006 (as amended on 14 July 2006 and 3 August 2006) between (i) Welly Champ; and (ii) Tak Full in respect of a joint venture relating to Well Allied;

(h) an agreement dated 14 July 2006 between (i) Well Allied; and (ii) PLD International Co., Ltd. ("PLD") for co-operation to realise the benefits of the agreements mentioned in items (c), (d) and (e) above;

(i) an agreement dated 26 October 2006 between (i) Waldorf Holding Limited ("Waldorf") (as vendor); and (ii) Golden Island Bird's Nest Chiu Chau Restaurant (Causeway Bay) Limited, a wholly owned subsidiary of the Company, (as purchaser) relating to the sale and purchase of the entire issued share capital of, and the benefits of shareholder's loans, to World Honour Investments Limited for a total consideration of HK$3,418,980;

(j) an agreement dated 1 November 2006 between (i) Widelead Group Limited ("Widelead") (a wholly owned subsidiary of the Company), G.I. Management and Sentosa Resources Limited; and (ii) Many Wealth Group Limited whereby, inter alia, Widelead and GI Management agreed to sell 95% of the registered capital of Waldorf and Widelead agreed to sell the rights and benefits of shareholder's loan due from Waldorf for a total consideration of HK$475 million;

(k) a supplemental agreement dated 8 November 2006 between (i) Well Allied and (ii) PLD to extend the deadline for the fulfilment of the conditions under the agreement referred to in item (h) above;

(l) the Shenzhen Land Share Sale Agreement;

(m) the Shenzhen Land Loan Sale Agreement;

(n) a joint operation co-operation agreement dated 18 June 2007 between (i) China Music; (ii) Song Labs; and (iii) 北京中文發數字科技有限公司 (Beijing CD Digital Technology Co., Ltd.) relating to charge of license fee for copyright to contents of karaoke music products on an on-demand basis implemented through the national management service system for contents of karaoke music to be established by 文化部文化市場發展中心 (Culture Market Development Centre of the Culture Division) as appointed by 文化部 (Culture Division) in the PRC for a term of 10 years for the business of licensing of copyright to karaoke music products to karaoke operators in the PRC;

(o) a loan agreement dated 4 July 2007 between (i) Well Allied; and (ii) PLD whereby Well Allied agreed to advance a loan of HK$9 million to PLD at the interest rate of 8% per annum and repayable within 1 year from the date of the loan agreement;

(p) the Agreement;

(q) an agreement dated 14 August 2007 between (i) Ng Lok Shing Ronald (as vendor); and (ii) Win Fame Limited, a wholly owned subsidiary of the Company, (as purchaser) relating to the sale and purchase of 51% of the issued share capital of Baron Productions and Artiste Management Company Limited; and

(r) an agreement dated 24 October 2007 between (i) Chan Siu Kei (as vendor); and (ii) Wave High International Limited, a wholly owned subsidiary of the Company, (as purchaser) relating to the sale and purchase of 60% of the issued share capital of Chance Music Limited for a consideration of HK$5 million.

GENERAL

(a) The secretary of the Company is Ms. Cheung Mei Ha, Jennifer. She is a solicitor practising in Hong Kong.

(b) The qualified accountant of the Company is Mr. Liu Yu Mo. He is a certified practising accountant (Aust.) and a fellow member of the Hong Kong Institute of Certified Public Accountants.

(c) The Hong Kong share registrar of the Company is Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Jennifer Cheung & Co. at Unit A, 19th Floor, Two Chinachem Plaza, 68 Connaught Road Central, Hong Kong during normal business hours up to and including 23 November 2007:

(a) the Memorandum of Association and the Bye-laws of the Company;

(b) the annual reports of the Company for the two years ended 31 March 2007;

(c) the circular of the Company issued pursuant to Chapters 14 and 14A of the Listing Rules since 31 March 2007, being the date of the latest published audited accounts;

(d) the letter from First Shanghai to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 21 to 37 of this circular;

(e) the accountants' report of the Wellrich Group, the text of which is set out in Appendix I;

(f) the letters and valuation certificates relating to the Properties prepared by the Valuer, the texts of which are set out in Appendix IV;

(g) the material contracts referred to in the paragraph headed "Material contracts" in this appendix; and

(h) the written consents referred to in the paragraph headed "Consents" in this appendix.

UNITED POWER INVESTMENT LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 674)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting of the abovementioned company (the "Company") will be held at Golden Island Bird's Nest Chiu Chau Restaurant, 2nd Floor, East Wing, Star House, Salisbury Road, Tsimshatsui, Kowloon, Hong Kong on 23 November 2007 at 3:00 p.m. for the purpose of considering and, if thought fit, passing the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

"**THAT** the agreement dated 15 October 2007 between (i) Well Harvest Enterprises Limited (the "Vendor") and (ii) the Company whereby the Company agreed to acquire from the Vendor the entire issued share capital of, and the benefits of all shareholder's loans to, Wellrich Investments Limited for a total consideration of HK$355.6 million, HK$120 million of which shall be paid in cash and the balance to be satisfied by the issue of 699,109,792 shares of HK$0.05 each of the Company (the "Consideration Shares") to the Vendor or its nominee(s) (a copy of which is tabled at the meeting and signed by the Chairman for the purpose of identification) be and is hereby approved and that the directors of the Company be and are hereby authorised to implement the same (with any amendments to the terms of such agreement as may be approved by the directors of the Company) and to issue and allot the Consideration Shares pursuant thereto."

By Order of the Board
Cheung Mei Ha Jennifer
Company Secretary

Hong Kong, 7 November 2007

Principal Office:
2810-11, 28th Floor
Shun Tak Centre
West Tower
200 Connaught Road Central
Hong Kong

Notes:

1. A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint more than one proxy to attend and vote in his stead. A proxy need not be a member of the Company.

2. In order to be valid, a form of proxy must be deposited at the Company's principal office together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or authority, not less than 48 hours before the time for holding the meeting or adjourned meeting.