
IMPORTANT

If you are in doubt as to any aspect of this offer, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **INVENTIVE LIMITED**, you should at once hand this Composite Offer Document and the accompanying Form of Acceptance and Transfer to the purchaser or the transferee, or to the bank or the licensed securities dealer or registered institution in securities or other agent through whom the sale or the transfer was effected for transmission to the purchaser or the transferee.

This Composite Offer Document should be read in conjunction with the accompanying Form of Acceptance and Transfer, the provisions of which form part of the terms of the offer contained herein.

MEXAN GROUP LIMITED

(Incorporated in the British Virgin Islands with limited liability)

INVENTIVE LIMITED

(Incorporated in Bermuda with limited liability)

**VOLUNTARY UNCONDITIONAL CASH OFFER BY
SOMERLEY LIMITED
ON BEHALF OF
MEXAN GROUP LIMITED
TO ACQUIRE ALL THE ISSUED SHARES IN
INVENTIVE LIMITED
(OTHER THAN THOSE SHARES ALREADY OWNED BY
MEXAN GROUP LIMITED
AND PARTIES ACTING IN CONCERT WITH IT)**

Financial adviser to Mexan Group Limited



Independent financial adviser to the Qualifying Inventive Shareholders

Hercules
Hercules Capital Limited

A letter from Hercules Capital Limited containing their advice to the Qualifying Inventive Shareholders in respect of the offer contained herein is set out on pages 11 to 27 of this Composite Offer Document.

The procedures for acceptance and settlement of the offer contained herein are set out in Appendix I to this Composite Offer Document and in the accompanying Form of Acceptance and Transfer. Acceptances of the offer contained herein should be received by the Transfer Agent (Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong) by no later than 4:00 p.m. on Monday, 7 May 2007 (being the Closing Date).

16 April 2007

CONTENTS

	<i>Page</i>
Expected timetable	ii
Definitions	1
Letter from the board of Inventive	5
Letter from Somerley Limited	7
Letter from Hercules Capital Limited	11
Appendices:	
I — Further terms of the Privateco Offer	28
II — Financial information on the Inventive Group	32
III — Pro forma financial information on the Inventive Group	80
IV — Valuation report on Beilun Company	84
V — Traffic forecast report	95
VI — Summary of the constitution of Inventive and Bermuda company law	107
VII — General information	134
Accompanying document:	
— Form of Acceptance and Transfer	

EXPECTED TIMETABLE

2007

Opening date of the Privateco Offer Monday, 16 April

Latest time for acceptance of the Privateco Offer 4:00 p.m. on Monday, 7 May

Closing date of the Privateco Offer Monday, 7 May

Announcement of the results of the Privateco Offer
posted on the Stock Exchange's website
under the Company and the SFC's website By 7:00 p.m. on Monday, 7 May

Announcement of the results of the Privateco Offer
published in the newspapers Tuesday, 8 May

Latest date for posting of remittances for the amounts
due in respect of valid acceptances received
under the Privateco Offer Thursday, 17 May

All time references contained in this Composite Offer Document and the Form of Acceptance and Transfer refer to Hong Kong time.

DEFINITIONS

Unless the context requires otherwise, the following expressions shall have the following meanings in this Composite Offer Document and the Form of Acceptance and Transfer:

“acting in concert”	the meaning defined in the Takeovers Code
“Beilun Company”	寧波北侖港高速公路有限公司 (Ningbo Beilun Port Expressway Company Limited), a wholly foreign owned enterprise established in the PRC and a wholly-owned subsidiary of Inventive
“Business Day”	a day on which banks are open for business generally in Hong Kong (excluding Saturdays and Sundays)
“BVI”	British Virgin Islands
“CCASS”	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
“Circular”	the circular of the Company dated 17 March 2007 regarding, inter alia, the Group Reorganisation (including the distribution in specie of the Inventive Shares) and the Special Cash Dividend
“Closing Date”	7 May 2007, or if the Privateco Offer is extended, the closing date of the Privateco Offer as extended by the Offeror in accordance with the Takeovers Code
“Company”	MEXAN LIMITED, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Composite Offer Document”	this offer and response document relating to the Privateco Offer issued by the Offeror and Inventive in accordance with the Takeovers Code
“Consideration”	the cash consideration of HK\$102,917,303.93 paid by Winland to the Offeror for the 964,548,303 Shares pursuant to the conditional sale and purchase agreement dated 2 January 2007 (as amended and supplemented by supplemental agreements dated 6 February 2007 and 12 April 2007) entered into between, inter alia, the Offeror and Winland for the disposal of the controlling shareholding in the Company by the Offeror to Winland

DEFINITIONS

“Distributed Businesses”	all businesses of the Group immediately before completion of the Group Reorganisation, other than the Remaining Business, carried on by the Inventive Group including the toll road operation and management as well as investment holding
“Executive”	the Executive Director of the Corporate Finance Division of the SFC and any delegate of the Executive Director
“Form of Acceptance and Transfer”	the accompanying form of acceptance and transfer of Inventive Shares
“Group”	the Company and its subsidiaries (immediately before completion of the Group Reorganisation)
“Group Reorganisation”	the reorganisation of the Group completed on 12 April 2007 pursuant to which: (i) the Company continues to be a listed company and the Remaining Group carries on the Remaining Business; (ii) the Inventive Group carries on the Distributed Businesses; and (iii) the Shareholders received by way of distribution in specie the Inventive Shares on the Record Date on the basis of one Inventive Share for each Share held
“Hercules”	Hercules Capital Limited, a corporation licensed under the SFO to carry out Type 6 (advising on corporate finance) regulated activity for the purposes of the SFO, and the independent financial adviser to the Qualifying Inventive Shareholders in respect of the Privateco Offer
“Inventive”	INVENTIVE LIMITED, a company incorporated in Bermuda with limited liability
“Inventive Directors”	the directors of Inventive
“Inventive Group”	Inventive and its subsidiaries
“Inventive Share(s)”	ordinary share(s) of HK\$0.10 each in the issued share capital of Inventive
“Inventive Shareholders”	holders of the Inventive Shares
“Latest Practicable Date”	13 April 2007, being the latest practicable date for ascertaining certain information included in this Composite Offer Document

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Lau”	Mr. Lau Kan Shan, the chairman and an executive director of the Company
“Offeror”	Mexan Group Limited, a company incorporated in the BVI with limited liability
“PRC”	People’s Republic of China
“Privateco Offer”	the voluntary unconditional cash offer being made by Somerley on behalf of the Offeror and pursuant to the Takeovers Code to acquire all the Inventive Shares other than those already owned by the Offeror and parties acting in concert with it
“Qualifying Inventive Shareholders”	the Inventive Shareholders other than the Offeror and parties acting in concert with it
“Record Date”	12 April 2007, which was the record date for determining entitlements to the distribution in specie of the Inventive Shares pursuant to the Group Reorganisation and the Special Cash Dividend
“Remaining Business”	the business of hotel investment and operation carried on by the Remaining Group
“Remaining Group”	the Company and its subsidiaries (immediately after completion of the Group Reorganisation)
“SFC”	Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the issued share capital of the Company
“Shareholders”	holders of the Shares
“Somerley”	Somerley Limited, a corporation licensed under the SFO to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities for the purposes of the SFO, and the financial adviser to the Offeror

DEFINITIONS

“Special Cash Dividend”	a special cash dividend distributed to the Shareholders whose names appeared on the register of members of the Company on the Record Date
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Transfer Agent”	Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong
“Winland”	Winland Wealth (BVI) Limited, a company incorporated in the BVI with limited liability
“HK\$”	Hong Kong dollars
“sq.ft.”	square feet
“sq.m.”	square metres
“%”	per cent.

LETTER FROM THE BOARD OF INVENTIVE

INVENTIVE LIMITED

(Incorporated in Bermuda with limited liability)

Inventive Directors:

Lau Kan Shan (*Chairman*)

Tse On Kin (*Deputy Chairman*)

Ching Yung

Registered office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Correspondence address in Hong Kong:

16th Floor

Bank of East Asia Harbour View Centre

56 Gloucester Road

Wanchai

Hong Kong

16 April 2007

To the Inventive Shareholders

Dear Sir or Madam,

**VOLUNTARY UNCONDITIONAL CASH OFFER BY
SOMERLEY LIMITED
ON BEHALF OF
MEXAN GROUP LIMITED
TO ACQUIRE ALL THE ISSUED SHARES IN
INVENTIVE LIMITED
(OTHER THAN THOSE SHARES ALREADY OWNED BY
MEXAN GROUP LIMITED
AND PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

Further to the joint announcements of Inventive, the Offeror, the Company and Winland dated 16 February 2007, 8 March 2007 and 12 April 2007, the announcement of the Company dated 14 March 2007 and the Circular regarding, inter alia, the Privateco Offer, and following fulfilment of the pre-condition thereto, i.e. completion of the Group Reorganisation, which took place on 12 April 2007, the Privateco Offer is now made, which is voluntary and unconditional.

This Composite Offer Document provides you with, inter alia, information on, and the procedures for acceptance and settlement of, the Privateco Offer, and the advice of Hercules (i) as to whether the Privateco Offer is, or is not, fair and reasonable; and (ii) as to acceptance.

LETTER FROM THE BOARD OF INVENTIVE

PRIVATECO OFFER

Somerley, on behalf of the Offeror and pursuant to the Takeovers Code, is now making the Privateco Offer on the following basis:

For each Inventive Share held HK\$0.30 in cash

The Privateco Offer price of HK\$0.30 each represents a discount of approximately 55.9% to the unaudited pro forma consolidated net asset value per Inventive Share of approximately HK\$0.6804 set out in Appendix III to this Composite Offer Document.

Further details of the Privateco Offer including, inter alia, the terms and conditions and the procedures for acceptance and settlement are set out in the “Letter from Somerley Limited”, Appendix I to this Composite Offer Document and the accompanying Form of Acceptance and Transfer.

INTENTION OF THE OFFEROR REGARDING THE INVENTIVE GROUP

Your attention is drawn to the “Letter from Somerley Limited” in this Composite Offer Document for the intention of the Offeror regarding the Inventive Group.

RECOMMENDATION

Hercules has been appointed as the independent financial adviser to advise the Qualifying Inventive Shareholders (i) as to whether the Privateco Offer is, or is not, fair and reasonable; and (ii) as to acceptance. Your attention is drawn to its letter of advice to the Qualifying Inventive Shareholders set out on pages 11 to 27 of this Composite Offer Document.

ADDITIONAL INFORMATION

Your attention is also drawn to the expected timetable on page ii of this Composite Offer Document and the additional information contained in the appendices to this Composite Offer Document and the accompanying Form of Acceptance and Transfer.

Yours faithfully,
By order of the board of
INVENTIVE LIMITED
Tse On Kin
Deputy Chairman

LETTER FROM SOMERLEY LIMITED



SOMERLEY LIMITED
10th Floor
The Hong Kong Club Building
3A Chater Road
Central
Hong Kong

16 April 2007

To the Qualifying Inventive Shareholders

Dear Sir or Madam,

**VOLUNTARY UNCONDITIONAL CASH OFFER BY
SOMERLEY LIMITED
ON BEHALF OF
MEXAN GROUP LIMITED
TO ACQUIRE ALL THE ISSUED SHARES IN
INVENTIVE LIMITED
(OTHER THAN THOSE SHARES ALREADY OWNED BY
MEXAN GROUP LIMITED
AND PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

On 16 February 2007, it was announced that after completion of the Group Reorganisation, Somerley would, on behalf of the Offeror and pursuant to the Takeovers Code, make the Privateco Offer. Completion of the Group Reorganisation took place on 12 April 2007. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as defined in the Composite Offer Document.

PRIVATECO OFFER

Somerley, on behalf of the Offeror and pursuant to the Takeovers Code, is now making the Privateco Offer on the following basis:

For each Inventive Share held..... HK\$0.30 in cash

The Privateco Offer price of HK\$0.30 each represents a discount of approximately 55.9% to the unaudited pro forma consolidated net asset value per Inventive Share of approximately HK\$0.6804 set out in Appendix III to this Composite Offer Document.

LETTER FROM SOMERLEY LIMITED

TOTAL CONSIDERATION

As at the Latest Practicable Date, Inventive had 1,310,925,244 Inventive Shares in issue, of which 346,376,941 Inventive Shares (representing approximately 26.42% of the issued share capital of Inventive) were not owned or controlled by the Offeror and parties acting in concert with it. At the Privateco Offer price of HK\$0.30 each, the 346,376,941 Inventive Shares subject to the Privateco Offer are valued at approximately HK\$103.9 million.

FINANCING FOR THE PRIVATECO OFFER

Somerley, the financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror to satisfy full acceptance of the Privateco Offer, on the basis that the Offeror will finance the aggregate cash consideration for the Privateco Offer of approximately HK\$103.9 million from the proceeds received from (i) the total cash Consideration of approximately HK\$102.9 million; and (ii) its entitlement to the Special Cash Dividend of approximately HK\$66.2 million.

EFFECT OF ACCEPTING THE PRIVATECO OFFER

By accepting the Privateco Offer, the Qualifying Inventive Shareholders will sell their Inventive Shares and all rights attached thereto to the Offeror free from all liens, charges, claims and encumbrances and any third party rights together with all rights attached to them, including the right to receive all dividends and distributions declared, paid or made at or after the date of the issue of those Inventive Shares.

HONG KONG STAMP DUTY

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

COMPULSORY ACQUISITION

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

LETTER FROM SOMERLEY LIMITED

INFORMATION ON THE OFFEROR AND ITS INTENTION REGARDING THE INVENTIVE GROUP

The Offeror is a company incorporated in the BVI with limited liability and is beneficially and wholly-owned by Mr. Lau. The board of directors of the Offeror comprises two directors, being Mr. Lau and his wife, Ms. Xia He Na.

Mr. Lau is currently the chairman and an executive director of the Company. He has worked in various trading companies in the PRC for approximately eight years before he started his own trading business in Hong Kong in the 1980s. Mr. Lau is currently engaged in a wide variety of businesses including PRC highway investment, highway infrastructure construction and related businesses, real estate investment and financial services. He considers that the Privateco Offer provides the Inventive Shareholders with an opportunity to realise their holdings of the Inventive Shares which are illiquid and himself with a good opportunity to strengthen his PRC highway investment by acquiring the toll road business of the Inventive Group.

It is the intention of the Offeror that the Inventive Group will not make changes to its principal businesses (including redeployment of the fixed assets of the Inventive Group) nor conduct any business other than the Distributed Businesses. It is also the intention of the Offeror that the Inventive Group will not hold any material assets other than those relating to the Distributed Businesses, nor be injected any major assets, nor dispose of any major assets, after the close of the Privateco Offer. The Offeror intends to continue the employment of the employees of the Inventive Group.

Interests of the Inventive Shareholders will be safeguarded by the bye-laws of Inventive, which were adopted on 12 April 2007 and contain provisions substantially similar to the requirements of Appendix 3 and Section 1 of Part A of Appendix 13 to the Listing Rules. A summary of key terms of the bye-laws of Inventive is set out in Appendix VI to the Composite Offer Document.

Though there is neither intention nor plan for the Inventive Group to conduct any fund raising activities, the Inventive Group may require further equity funding, including but not limited to, by way of a rights issue from the Inventive Shareholders for the development of its businesses in the future.

As at the Latest Practicable Date, there was no decision as to any possible change in the composition of the board of Inventive Directors. Upon the close of the Privateco Offer, the composition of the board of Inventive Directors may change. Further announcements will be made by Inventive in this regard as and when appropriate.

No listing application will be made for the Inventive Shares on the Stock Exchange or any other stock exchange. **If the relevant thresholds are not reached for the exercise of the compulsory acquisition rights as referred to in the section headed “Compulsory acquisition” above in this letter and in paragraphs 4(o) and 4 (p) of Appendix VI to the Composite Offer Document, the Inventive Shareholders who do not accept the Privateco Offer will end up holding Inventive Shares which are difficult to liquidate as no trading facilities for such shares will be provided.**

From now on, the principal channel of communications between Inventive and its shareholders is expected to be by paid advertisements in one English language newspaper and one Chinese language newspaper until further notice.

LETTER FROM SOMERLEY LIMITED

ACCEPTANCE AND SETTLEMENT

Set out in Appendix I to the Composite Offer Document and the Form of Acceptance and Transfer contain the procedures for acceptance and settlement of the Privateco Offer, and further terms of the Privateco Offer.

TAXATION

You are recommended to consult your own professional advisers if you are in any doubt as to the taxation implications of your acceptance of the Privateco Offer. It is emphasised that none of the Offeror, Inventive, Somerley, any of their respective directors and any persons involved in the Privateco Offer accepts responsibility for any tax effects or liabilities of any person or persons as a result of their acceptance of the Privateco Offer.

OVERSEAS INVENTIVE SHAREHOLDERS

The making of the Privateco Offer in, or to the Qualifying Inventive Shareholders in, any jurisdiction outside Hong Kong may be affected by the laws of the relevant jurisdictions. Qualifying Inventive Shareholders who are citizens, residents or nationals of jurisdictions outside Hong Kong should inform themselves about, and observe, all applicable legal and regulatory requirements of the relevant jurisdictions.

It is the responsibility of any Qualifying Inventive Shareholder not resident in Hong Kong who wishes to accept the Privateco Offer to satisfy himself as to the full observance of all the applicable laws and regulations of any relevant jurisdiction in connection therewith, including obtaining any government or other consent which may be required, complying with any other necessary formality and paying any issue, transfer or other taxes due in respect of such jurisdiction.

INDEPENDENT ADVICE

Hercules have been appointed as the independent financial adviser to advise the Qualifying Inventive Shareholders (i) as to whether the Privateco Offer is, or is not, fair and reasonable; and (ii) as to acceptance. Your attention is drawn to their letter of advice to the Qualifying Inventive Shareholders set out on pages 11 to 27 of the Composite Offer Document.

FURTHER INFORMATION

Your attention is drawn to the expected timetable on page ii of the Composite Offer Document and the additional information set out in the appendices to the Composite Offer Document and the Form of Acceptance and Transfer.

Yours faithfully,
For and on behalf of
SOMERLEY LIMITED
Mei H. Leung
Deputy Chairman

LETTER FROM HERCULES

The following is the full text of a letter of advice from Hercules, the independent financial adviser to the Qualifying Inventive Shareholders, which has been prepared for the purpose of incorporation into the Composite Offer Document, setting out its advice to the Qualifying Inventive Shareholders in connection with the Privateco Offer.

Hercules **Hercules Capital Limited**

1503 Ruttonjee House
11 Duddell Street
Central
Hong Kong

16 April 2007

To the Qualifying Inventive Shareholders

Dear Sirs,

**VOLUNTARY UNCONDITIONAL CASH OFFER BY
SOMERLEY LIMITED
ON BEHALF OF
MEXAN GROUP LIMITED
TO ACQUIRE ALL THE ISSUED SHARES IN
INVENTIVE LIMITED
(OTHER THAN THOSE SHARES ALREADY OWNED BY
MEXAN GROUP LIMITED
AND PARTIES ACTING IN CONCERT WITH IT)**

We refer to our appointment as the independent financial adviser to advise the Qualifying Inventive Shareholders with respect to the terms of the Privateco Offer, details of which are set out in the composite document dated 16 April 2007 (the “**Composite Offer Document**”) addressed to the Inventive Shareholders, of which this letter forms part. The terms defined in the Composite Offer Document have the same meanings in this letter, unless the context requires otherwise.

As the Inventive Board currently comprises all executive directors of the Company and no non-executive director has been appointed, an independent board committee could not be formed pursuant to Rule 2.8 of the Takeovers Code. Consequently, we have been appointed to act as the independent financial adviser to give our advice to the Qualifying Inventive Shareholders directly as to whether the Privateco Offer is, or is not, fair and reasonable, and as to acceptance.

LETTER FROM HERCULES

In formulating our recommendations, we have reviewed, *inter alia*, the Circular, the Composite Offer Document and certain related agreements and certain publicly available financial statements and other business and financial information relating to the Offeror and Inventive. We have also reviewed certain information provided by management of Inventive relating to the operations, financial condition and prospects of Inventive. We have considered the traffic forecast report prepared by Mannings and the valuation of Beilun Company prepared by BMI as set out in Appendices IV and V to the Composite Offer Document. We have also conducted verbal discussions with BMI regarding the methodology, bases and assumptions employed in the valuations of Beilun Company. We have also assessed the relevant qualification and experience of Mannings, and discussed with them and reviewed the methodology, bases and principal assumptions employed in the traffic forecast report. We have also considered the terms of all offers made within the full twelve month period prior to the Latest Practicable Date for companies listed on the main board of the Stock Exchange, as well as market valuation of Inventive's industry comparables. We have considered such other information, financial studies, analyses and investigations and financial, economic and market criteria which we deemed relevant. The directors of the Offeror have accepted full responsibility for the accuracy of the information relating to the Offeror, the terms and conditions of the Privateco Offer and the Offeror's intention regarding the Inventive Group contained in the Composite Offer Document, and the Inventive Directors have jointly and severally accepted full responsibility for the accuracy of the information contained in the Composite Offer Document (other than that relating to the Offeror, the terms and conditions of the Privateco Offer and the Offeror's intention regarding the Inventive Group). The directors of the Offeror and Inventive have confirmed, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Composite Offer Document (in the case of the directors of the Offeror, only those relating to the Offeror, the terms and conditions of the Privateco Offer and the Offeror's intention regarding the Inventive Group and, in the case of the Inventive Directors, other than those relating to the Offeror, the terms and conditions of the Privateco Offer and the Offeror's intention regarding the Inventive Group) have been arrived at after due and careful consideration and there are no other facts not contained in the Composite Offer Document, the omission of which would make any statements in the Composite Offer Document misleading. We have relied on, and assumed, without independent verification, the accuracy and completeness of the information reviewed by us for the purpose of this opinion. We have not, for the purpose of this exercise, conducted any independent detailed investigation into or audit of the businesses, financial conditions or affairs or the future prospects of the Inventive Group or the Offeror. Our opinion is necessarily based on the financial, economic, market and other conditions in effect, and the information made available to us, at the Latest Practicable Date.

We have not considered the tax consequences for the Qualifying Inventive Shareholders arising from the Privateco Offer since these are particular to their individual circumstances. In particular, the Qualifying Inventive Shareholders who are resident outside of Hong Kong or subject to overseas taxes, or Hong Kong taxation on securities dealings should consider their tax positions with regard to the Privateco Offer and, if in any doubt, should consult their own professional advisers.

In addition, we refer you to the letter from the board of Inventive and the letter from Somerley Limited contained in the Composite Offer Document, which give full details of the Privateco Offer, and the appendices to the Composite Offer Document which give further information on Inventive and the Offeror as required by the Takeovers Code. We advise that the Qualifying Inventive Shareholders read carefully the Composite Offer Document before deciding what action they should take.

LETTER FROM HERCULES

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

A. Background to the Privateco Offer

On 16 February 2007, the Offeror, jointly with the Company, Inventive and Winland announced, *inter alia*, that Winland had agreed to acquire from the Offeror its entire equity interest of approximately 73.58% in the Company conditional upon, *inter alia*, approval by the Independent Shareholders of the Group Reorganisation and the Special Cash Dividend. In order to facilitate Completion, the Offeror requested the Board to put forward for the Shareholders' consideration a proposal which includes, *inter alia*, the Group Reorganisation and the Special Cash Dividend (the "**Proposal**").

The Proposal was approved by the independent shareholders of the Company at the special general meeting of the Company held on 12 April 2007 despite our advice to the contrary, and completion of the Group Reorganisation took place on the same date. Accordingly, the Inventive Shares were distributed by way of dividend in specie to the Shareholders whose names appeared on the register of members of the Company on 12 April 2007 on the basis of one Inventive Share for each Share held.

Somerley, on behalf of the Offeror and pursuant to the Takeovers Code, is making a voluntary unconditional cash offer to the Qualifying Inventive Shareholders to acquire all the Inventive Shares other than those already held by the Offeror and parties acting in concert with it on the following basis:

For each Inventive Share HK\$0.30 in cash

Further details of the Privateco Offer including, *inter alia*, the terms and conditions, and the procedures for acceptance and settlement are set out in the letter from Somerley Limited, Appendix I to the Composite Offer Document and the accompanying Form of Acceptance and Transfer.

LETTER FROM HERCULES

B. Financial information of the Inventive Group

Summarised in Table 1 below are the combined income statements of the Inventive Group as set out in Appendix II to the Composite Offer Document.

Table 1: Summary combined income statements of the Inventive Group

	For the six months ended 30 September		For the year ended 31 March		
	2006 <i>HK\$'000</i> (audited)	2005 <i>HK\$'000</i> (unaudited)	2006 <i>HK\$'000</i> (audited)	2005 <i>HK\$'000</i> (audited)	2004 <i>HK\$'000</i> (audited)
CONTINUING OPERATIONS					
Turnover	79,314	450	42,490	—	—
Toll road income	79,179	—	41,545	—	—
Rental income	135	450	945	—	—
Direct costs	(44,359)	—	(19,041)	—	—
Gross profit	34,955	450	23,449	—	—
<i>gross profit margin</i>	<i>44.1%</i>	<i>100.0%</i>	<i>55.2%</i>	—	—
Other revenues	8,422	9,389	16,666	23,367	2,698
Administrative expenses	(25,742)	(10,473)	(40,974)	(18,421)	(1,510)
Profit/(loss) from operations	17,635	(634)	(859)	4,946	1,188
<i>operating margin</i>	<i>22.2%</i>	—	—	—	—
Finance costs	(46,739)	(2,250)	(30,600)	(2,177)	(1,484)
Share of results of a jointly controlled entity	—	(1,053)	(5,226)	(6,127)	—
Decrease in fair value of investment property	(3,500)	—	—	—	—
Waiver of amount due to holding company	—	—	400,219	—	—
(Loss)/profit before taxation	(32,604)	(3,937)	363,534	(3,358)	(296)
Taxation credit/(charge)	5	1,161	1,156	(1,468)	(26)
(Loss)/profit for the period/year from continuing operations	(32,599)	(2,776)	364,690	(4,826)	(322)
DISCONTINUED OPERATIONS					
(Loss)/profit for the period/year from discontinued operations	—	(6,132)	(30,530)	(89,879)	120,886
Net (loss)/profit for the period/year attributable to equity holders of Inventive	(32,599)	(8,908)	334,160	(94,705)	120,564
<i>net margin</i>	—	—	786.4%	—	—

LETTER FROM HERCULES

The Inventive Group acquired a 44.9% interest in Beilun Company in February 2005 and the remaining 55.1% interest in December 2005. Accordingly, the results of Beilun Company were equity accounted for in the financial year 2005 and fully consolidated for the first time in the financial year 2006. The Inventive Group posted an operating loss in the financial year 2006 compared to operating profits for the financial years 2004 and 2005 due primarily to (i) a 97.8% decrease in interest income to HK\$153,000 from HK\$7.1 million for the financial year 2005; and (ii) a 1.2 times increase in administrative expenses. Owing to the consolidation of the interest expenses of Beilun Company, which amounted to HK\$27.4 million for the period from the date of acquisition to 31 March 2006, and increased interest rate for Hong Kong dollar denominated borrowings, finance costs increased significantly from HK\$1.5 million in the financial year 2004 to HK\$2.2 million in the financial year 2005 and further to HK\$30.6 million in the financial year 2006, representing year-on-year increases of 0.5 times and 13.1 times respectively. Notwithstanding the significant administrative expenses, rising finance costs, share of loss of a jointly controlled entity and loss from discontinued operations, the Inventive Group posted a net profit for the financial year 2006 due primarily to a HK\$400.2 million waiver of amount due to holding company amid the sale of the Elizabeth House. Excluding the one-off waiver amount, a loss of HK\$66.1 million was recorded.

For the six months ended 30 September 2006, turnover increased by 175.3 times over the corresponding period in 2005. The increase was mainly attributable to the turnover generated from Beilun Company. Notwithstanding the increased turnover, the inventive Group reported a loss of HK\$32.6 million for the six months ended 30 September 2006, representing an increase of 2.7 times over the corresponding period in 2005. The deterioration was mainly attributable to (i) a more than nineteen-fold increase in finance costs which was attributable to Beilun Company; (ii) a HK\$3.5 million decrease in fair value of investment property; and (iii) the absence of management fee and other income from discontinued operations (for the six months ended 30 September 2005: HK\$4.3 million).

LETTER FROM HERCULES

Summarised in Table 2 below is the Inventive Group's unaudited pro forma assets and liabilities statement as set out in Appendix III to the Composite Offer Document.

Table 2: Unaudited pro forma assets and liabilities statement of the Inventive Group

	As at 30 September 2006 <i>HK\$'000</i>
Non-current assets	
Property, plant and equipment	41,561
Investment property	16,500
Intangible assets	1,781,694
Goodwill	269,293
Amount due from a related company	255,681
	2,364,729
Current assets	
Trade and other receivables, deposits and prepayments	152,661
Amount due from a related company	12,321
Cash at banks and in hand	14,408
	179,390
Current liabilities	
Other payables, deposits received and accrued charges	26,408
Amounts due to related companies	24,887
Current portion of obligations under finance lease	232
Current portion of bank loans	4,078
	55,605
Non-current liabilities	
Bank loans	1,596,534
	891,980
Equity	
Share capital	131,092
Reserves	760,888
	891,980
<i>Current ratio</i>	3.2
<i>Total debt/equity ratio</i>	179.4%
<i>Long term debt/equity ratio</i>	179.0%

As at 30 September 2006, intangible assets, which comprised solely the operating right of Ningbo Beilun Port Expressway (the "**Toll Road**"), and goodwill accounted for 80.6% of the Inventive Group's pro forma total assets. Cash and cash equivalents accounted for only 0.57% of the Inventive Group's pro forma total assets.

LETTER FROM HERCULES

Long term bank loans accounted for 96.6% of the Inventive Group's pro forma total liabilities as at 30 September 2006. Current portion of bank loans represented less than 0.3% of the Inventive Group's total bank borrowings as at 30 September 2006. The Inventive Group was highly geared as at 30 September 2006, with a long term debt to equity ratio of 179.0%.

In the event that a substantial amount of capital is required for its business operations or developments, Inventive may find it hard to obtain further borrowings from banks and other financial institutions in light of its current financial position. Qualifying Inventive Shareholders should note that it is stated in the letter from Somerley Limited that the Inventive Group may require further equity funding, including but not limited to, by way of a rights issue from the Inventive Shareholders for the development of its businesses in the future.

C. Future prospects and outlook of the Inventive Group

1. Toll road

As discussed in the section headed "B.1. Toll road" set out on pages 27 and 28 of the Circular, we considered the outlook of the toll road business to be positive in general on the basis of the continual increase in traffic flow volume forecasted by Mannings as set out on page 230 of the Circular and Appendix V to the Composite Offer Document and the projections of Beilun Company for the period from 1 January 2007 to 31 December 2027 (the "**Projections**") upon which the valuation of Beilun Company dated 31 January 2007 was based. Given that the forecasted traffic flow volume and the Projections have remained the same since the date of the Circular until the Latest Practicable Date, we maintain our view that the outlook of the toll road business is, in general, positive.

2. Property investment

We have been advised by management of Inventive that they have not identified any investment target for the proceeds from the disposal of the residential property located at South Bay Close. Therefore, we are unable to provide an analysis on the outlook for this business.

D. Indicative valuation benchmarks

1. Price/book multiple

Based on the pro forma net assets of the Inventive Group as at 30 September 2006 of HK\$891.98 million and 1,310,925,244 Inventive Shares in issue, the book value per Inventive Share amounted to HK\$0.680. On this basis, the Privateco Offer price represents a price-to book ratio ("**P/B**") of approximate 0.44 times.

LETTER FROM HERCULES

2. *Price/earnings multiple*

As discussed in the section headed “B. Financial information of the Inventive Group”, the Inventive Group reported a net profit of HK\$334.2 million for the financial year 2006 due to a HK\$400.2 million one-off waiver of amount due to holding company, the use of price/earnings multiple (“**P/E**”) as reference to assess the Privateco Offer price is therefore not appropriate.

E. **Comparable Offers**

In assessing the fairness and reasonableness of the Privateco Offer price, we have attempted to compare the valuation statistics implied by it with the cash offers made within a twelve-month period prior to the Latest Practicable Date for companies listed on the main board of the Stock Exchange and were engaged in the Distributed Businesses. However, we were unable to identify any cash offer in the aforesaid period for companies engaged in similar businesses to the Distributed Businesses. In the absence of industry comparables, we have identified, to the best of our knowledge and based on the information from the website of the Stock Exchange, all offers made for companies that were listed on the main board of the Stock Exchange within a twelve-month period prior to the Latest Practicable Date (the “**Comparable Offers**”) and reviewed their valuation statistics. Table 3 sets out a summary of the valuation statistics of the Comparable Offers.

Table 3: Comparable Offers

Company(stock code)	Principal activities	Date of announcement	Market capitalisation ⁽¹⁾ HK\$'million	Premium/ (discount) represented by the share offer price over/(to) the closing price on the last trading day %	P/E ⁽²⁾ times	P/B ⁽³⁾ times	Dividend yield ⁽⁴⁾ %
Chun Wo Holdings Limited (711)	Civil engineering, electrical and mechanical engineering, foundation and building construction work, property development and property investment	22-Feb-06 9-May-06 ⁽¹¹⁾	625	18.3	12.0	0.8	3.0
Nority International Group Limited (660)	Manufacture and export of athletic, athletic-style leisure footwear and sports shoes	4-Apr-06	126	14.6	n.a.	0.9	n.a.

LETTER FROM HERCULES

Company(stock code)	Principal activities	Date of announcement	Market capitalisation ⁽¹⁾ <i>HK\$'million</i>	Premium/ (discount) represented by the share offer price over/(to) the closing price on the last trading day %	P/E ⁽²⁾ <i>times</i>	P/B ⁽³⁾ <i>times</i>	Dividend yield ⁽⁴⁾ %
The Cross-Harbour (Holdings) Limited (32)	Investment holdings, operation of driver training centres and, through its associated companies, operation of the Western Harbour Tunnel and an electronic toll collection system	10-Apr-06	1,228	(39.5)	7.4	0.6	6.9
First Pacific Company Limited (142)	Telecommunications and consumer food products operation	28-Apr-06	7,015	(32.3)	8.7	2.3	1.4
CSMC Technologies Corporation (597)	Operation of semi-conductor foundries in China	12-May-06	1,124	5.0	n.a.	0.9	n.a.
Shun Cheong Holdings Limited (650)	Provision of building related maintenance services	16-May-06	35	(18.9)	n.a.	0.6	n.a.
China Paradise Electronics Retail Limited (503) ⁽⁵⁾	Operation of household appliances retail chain in China	25-Jul-06	5,219	9.0	13.3	2.4	1.7
Golden Resorts Group Limited (1031)	Holding and operation of hotels with gaming facilities in Macau	25-Jul-06	2,353	(3.0)	n.a.	1.0	n.a.
Asia Financial Holdings Limited (662)	Provision of insurance and investment services	9-Aug-06	3,703	(17.5)	20.1	1.0	2.9
Senyuan International Holdings Limited (3333)	Manufacture of vacuum circuit breakers and other components of switchgears in the PRC	22-Aug-06	454	4.2	8.3	2.3	3.7
CASH Retail Management Group Limited (996)	Operation of department store and provision of store management services in the PRC	28-Aug-06	393	(11.1)	n.a.	1.6	n.a.
Hanny Holdings Limited (275)	Trading of securities, property investment and trading, holding of vessels for sand mining and other strategic investments	1-Sep-06	1,997	7.6	96.4	0.5	2.6

LETTER FROM HERCULES

Company(stock code)	Principal activities	Date of announcement	Market capitalisation ⁽¹⁾ <i>HK\$'million</i>	Premium/ (discount) represented by the share offer price over/(to) the closing price on the last trading day %	P/E ⁽²⁾ <i>times</i>	P/B ⁽³⁾ <i>times</i>	Dividend yield ⁽⁴⁾ %
China Motion Telecom International Limited (989)	Provision of international telecommunication services, mobile communications services and distribution and retail chain	8-Sep-06	30	(50.0)	n.a.	0.6	n.a.
Cosmopolitan International Holdings Limited (120)	Investment in properties and securities and provision of information technology services	4-Oct-06	80 ⁽⁶⁾	(41.9)	n.a.	0.4	n.a.
Quality HealthCare Asia Limited (593)	Health administration, medical scheme administration, and provision of healthcare services	5-Oct-06	652	(16.7)	11.6	3.7	1.8
AV Concept Holdings Limited (595)	Marketing and distribution of semiconductors and electronic components, and design and manufacturing of electronic products and internet appliances	9-Oct-06	215	8.2	20.4	0.5	3.8
Asia Commercial Holdings Limited (104)	Watch trading and luxury products retailing	27-Oct-06	227	(25.3)	41.9	1.3	n.a.
Apex Capital Limited (905)	Acquisition and disposal of investment in listed and unlisted securities	31-Oct-06	17	(6.1)	n.a.	1.6	n.a.
New World Mobile Holdings Limited (862)	Technology-related business and holding of 23.60% interest in the issued share capital of CSL New World Mobility Limited	22-Nov-06	63 ⁽⁷⁾	51.2 ⁽⁸⁾	0.1	n.a.	n.a.
Linmark Group Limited (915)	Sourcing of apparel and accessories, hardgoods and electronics consumer goods as well as other related businesses	12-Dec-06	700	12.9	8.5	1.2	5.3

LETTER FROM HERCULES

Company(stock code)	Principal activities	Date of announcement	Market capitalisation ⁽¹⁾ <i>HK\$'million</i>	Premium/ (discount) represented by the share offer price over/(to) the closing price on the last trading day %	P/E ⁽²⁾ <i>times</i>	P/B ⁽³⁾ <i>times</i>	Dividend yield ⁽⁴⁾ %
Foundation Group Limited (1182)	Apparel trading, securities trading and strategic investments	22-Dec-06	1,575 ⁽⁹⁾	(19.0)	n.a.	1.2	n.a.
Nority International Group Limited (660)	Manufacture and export of athletic and athletic-style leisure footwear, as well as the manufacture of working shoes, safety shoes, golf shoes and other functional shoes	24-Nov-06	111	(12.3)	n.a.	1.2	n.a.
Climax International Company Limited (439)	Manufacturing, marketing and distribution of paper products, the original equipment manufacturing business, whereby the Group buys materials and manufactures paper products for wholesalers and retail chain stores worldwide	6-Jan-07	62 ⁽⁶⁾	(23.1)	n.a.	0.3	n.a.
Zhongtian International Limited (2379)	Provision of system integration services, development of customised software products, sale of software and hardware products; and provision of maintenance and other services	13-Feb-07	40	(42.9)	4.2	0.3	7.5
Pacific Century Insurance Holdings Limited (65)	Individual and group life insurance and asset management	1-Mar-07	6,672	58.2	20.6	2.4	0.6
Maximum				58.2	96.4	3.7	7.5
Minimum				(50.0)	0.1	0.3	0.6
Mean				<i>discount</i> (24.0) <i>premium</i> 18.9	19.5	1.2	3.4
Median				(11.1)	11.8	1.0	2.9
Inventive	Distributed Businesses		393		n.a.	0.4	n.a.

LETTER FROM HERCULES

Note:

1. Based on the offer price and outstanding shares as at the date of the respective announcements.
2. Calculated as offer price divided by the latest audited earnings per share set out in the respective offer/response document.
3. Calculated as offer price divided by the latest published net asset value per share set out in the respective offer/response document.
4. Calculated as offer price divided by the dividend paid for the ordinary shares for the latest financial year set out in the respective offer/response document.
5. The offer price of HK\$2.2354 comprised cash consideration of HK\$0.1736 and the value of 0.3247 shares in GOME Electrical Appliances Holding Limited (“**GOME Shares**”) based on the closing price of each GOME Share of HK\$6.35, as quoted on the Stock Exchange on 17 July 2006, being the last trading day for GOME Shares prior to the date of the announcement.
6. Adjustments made to take into account the effect of an open offer.
7. Adjustments made to take into account the new shares to be issued upon the exercise of certain outstanding options.
8. Based on the ex-dividend price.
9. Adjustments made to take into account the effect of a share subscription.
10. n.a. denotes not applicable as the company recorded net loss or net deficit or paid no dividend.
11. The share offer price was revised upwards.

As illustrated in Table 3, the implied P/B of approximately 0.4 times based on the Privateco Offer price is close to the bottom end of the range of 0.3 times to 3.7 times based on the Comparable Offers and represents significant discounts of approximately 66.7% and 60.0% respectively to the mean and median P/B of the Comparable Offers. The Privateco Offer price is thus inadequate relative to the Comparable Offers.

LETTER FROM HERCULES

F. Comparable company analysis

Set out in Table 4 below is a comparison of the valuation statistics of the Inventive Group implied by the Privateco Offer price with the market valuations at which its comparable companies, being all Hong Kong publicly listed companies that are principally engaged in toll road operations in the PRC and with over 90% of their turnover derived from toll road operations based on their latest published annual report prior to the Latest Practicable Date (the “Comparables”), are currently trading.

Table 4: Trading multiples of the Comparables

Comparables (stock code)	Principal activities	Market capitalisation ⁽¹⁾	P/E ⁽²⁾	Dividend	
				P/B ⁽²⁾	yield ⁽²⁾
		<i>HK\$' million</i>	<i>x</i>	<i>x</i>	<i>%</i>
Anhui Expressway Co. Limited (995)	Holding, operation and development of toll highways within Anhui Province, the PRC	13,555	11.00	1.90	4.05
GZI Transport Limited (1052)	Investment in and development, operation and management of toll highways, expressways and bridges mainly in Guangdong Province, the PRC	5,689	12.35	1.52	2.65
Shenzhen Expressway Co. Limited (548)	Investment, construction and operation management of toll highways and roads in the PRC	16,453	20.14	1.77	2.41
Sichuan Expressway Co. Limited (107)	Design, construction, operation and management of expressways and the collection of expressway tolls, and trading of petroleum products	4,707	15.81	0.94	2.20
Wah Nam International Holdings Limited (159)	Management and operation of toll road in the PRC	101	99.41	1.89	n.a.
Zhejiang Expressway Co. Limited (576)	Design, construction, operation and management of high grade roads, development and operation of certain ancillary services such as automobile servicing and fuel facilities	29,490	20.36	2.60	1.02
Maximum			99.41	2.60	4.05
Minimum			11.00	0.94	1.02
Mean			29.85	1.77	2.47
Median			17.98	1.83	2.41
Inventive		393	n.a.	0.44	n.a.

LETTER FROM HERCULES

Notes:

1. Market capitalisations of the Comparables as at the Latest Practicable Date were quoted from Bloomberg. Market capitalisation of Inventive is calculated based on the Privateco Offer price and 1,310,925,244 Inventive Shares in issue as at the Latest Practicable Date.
2. Trading multiples for the Comparables as at the Latest Practicable Date were quoted from Bloomberg. Implied P/B for Inventive is calculated based on the Privateco Offer price.
3. n.a. denotes not applicable as these Comparables did not declare dividends for the latest financial year.

As illustrated in Table 4 above, the Privateco Offer price implies a P/B which is materially lower than the market valuation of its peers. We are mindful that all the Comparables are profitable and most of them have greater market capitalisation than Inventive, which may limit the comparability of Inventive with the Comparables.

Based on the foregoing and our analysis in the preceding section, we are of the view that the Privateco Offer price is inadequate and therefore neither fair nor reasonable.

G. Intention of the Offeror

As stated in the section headed “Information on the Offeror and its intention regarding the Inventive Group” in the letter from Somerley Limited in the Composite Offer Document, (i) it is the intention of the Offeror that the Inventive Group will not make changes to its principal businesses nor conduct any business other than the Distributed Businesses, or hold any other assets other than those assets relating to the Distributed Businesses, or be injected any major assets, or dispose of any major assets after the close of the Privateco Offer; and (ii) although there is no intention or plan for the Inventive Group to conduct any fund raising activities, the Inventive Group may require further equity funding, including but not limited to, by way of a rights issue from the Inventive Shareholders for the development of its businesses in the future.

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

LETTER FROM HERCULES

H. Other Considerations

- (a) ***Risks relating to Inventive's businesses*** As an unlisted public company, Inventive will have comparatively lesser fundraising channels than as a listed company and might not be able to obtain sufficient funding for its business operations. In the event that a substantial amount of capital is required for its business operations, failure to obtain the needed capital could materially and adversely affect its operations, growth prospects and future profitability; any new borrowings could include terms that restrict its financial flexibility, payment of dividends or its ability to manage its business as planned. As noted in the letter from Somerley Limited, although there is no intention or plan for the Inventive Group to conduct any fund raising activities, the Inventive Group may require further equity funding, including but not limited to, by way of a rights issue from the Inventive Shareholders for the development of its businesses in the future. Nevertheless, we have been advised by the Inventive Directors that they have not formulated any fundraising plans up to the Latest Practicable Date.
- (b) ***The Inventive Shares are unlisted shares*** As the Inventive Shares will not be listed on any stock exchange, Qualifying Inventive Shareholders who choose not to accept the Privateco Offer will forego the opportunity to sell their shareholding at HK\$0.30 per Inventive Share and have to accept the opportunities and risks associated with their current equity investment in Inventive going forward, rather than to reduce the exposure of holding unlisted and non-tradeable shares if they accept the Privateco Offer.
- (c) ***No dividend policy has been formulated for Inventive Group*** As such, it might be difficult for the Inventive Shareholders to realise their returns, if any, on their investment by receiving dividends on their Inventive Shares.
- (d) ***Likelihood of an alternative offer*** Our assessment indicates that the chances for an alternative offer for Inventive Shares emerging as being very low as the Offeror's 73.58% stake represents a significant impediment, effectively requiring an alternative offeror to work cooperatively with the Offeror or to buy out the Offeror's shareholding.

LETTER FROM HERCULES

SUMMARY

We consider that the terms of the Privateco Offer are neither fair nor reasonable so far as the Qualifying Inventive Shareholders are concerned for the following reasons:

1. the P/B ratio of Inventive based on the Privateco Offer price of 0.44 times is close to the bottom end of the range of 0.3 times to 3.7 times based on the Comparable Offers and represents significant discounts of approximately 66.7% and 60.0% respectively to the mean and median P/B of the Comparable Offers; and
2. the Privateco Offer price implies a P/B ratio which is materially lower than the market valuation of the Comparables.

Notwithstanding the fact that the terms of the Privateco Offer are neither fair nor reasonable, we recommend the Qualifying Inventive Shareholders to accept the Privateco Offer on the basis of the following principal considerations:

1. in the absence of a public trading market for the Inventive Shares, the Privateco Offer provides an opportunity for the Qualifying Inventive Shareholders to realise their investments in Inventive, Qualifying Inventive Shareholders who choose not to accept the Privateco Offer will have to accept the opportunities and risks associated with their current equity investment in Inventive going forward, rather than to reduce the exposure of holding unlisted and non-tradeable shares if they accept the Privateco Offer;
2. the chances for an alternative offer for Inventive Shares emerging are very low as the Offeror's 73.58% stake represents a significant impediment, effectively requiring an alternative offeror to work cooperatively with the Offeror or to buy out the Offeror's shareholding;
3. it might be difficult for the holders of Inventive Shares to realise their returns, if any, on their investment by receiving dividends on their Inventive Shares;
4. although there is no intention or plan for the Inventive Group to conduct any fund raising activities, the Inventive Group may require further equity funding, including but not limited to, by way of a rights issue from the Inventive Shareholders for the development of its businesses in the future; and
5. Inventive might not be able to obtain funding for its business operations; in the event that a substantial amount of capital is required or its business operations, failure to obtain the needed capital could materially and adversely affect its operations, growth prospects and future profitability; any new borrowings could include terms that restrict its financial flexibility, payment of dividends or its ability to manage its business as planned.

LETTER FROM HERCULES

Qualifying Inventive Shareholders who intend not to accept the Privateco Offer and continue to hold the Inventive Shares should be aware that there will be no public trading market for the Inventive Shares and such shares will be subject to the possible compulsory acquisition under the Companies Act 1981 of Bermuda if sufficient Inventive Shares are acquired under the Privateco Offer.

Qualifying Inventive Shareholders should read carefully the procedures for accepting the Privateco Offer as detailed in Appendix I to the Composite Offer Document and are strongly advised that acceptance or rejection of the Privateco Offer is a matter for individual shareholders based on their own views as to fair value and future market conditions, investment objectives, their assessment of the other merits and issues discussed above, and their risk profiles, liquidity preferences, tax positions and other factors. In particular, taxation consequences will vary widely across Inventive Shareholders. Qualifying Inventive Shareholders will need to consider these consequences and consult their own professional adviser if appropriate.

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

PROCEDURES FOR ACCEPTANCE

Your registered holding of Inventive Shares is set out in Box B in the accompanying Form of Acceptance and Transfer. To accept the Privateco Offer, you should duly complete the Form of Acceptance and Transfer in accordance with the instructions printed thereon, which instructions form part of the terms and conditions of the Privateco Offer.

The completed Form of Acceptance and Transfer should then be forwarded by post or by hand to, which should also reach, the Transfer Agent (Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong) marked "Inventive Offer" on the envelope by no later than 4:00 p.m. on Monday, 7 May 2007 (being the Closing Date).

If your Inventive Shares are held through your licensed securities dealer/registered institution in securities/custodian bank through CCASS, you must instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees Limited to accept the Privateco Offer on your behalf on or before the deadline set out by HKSCC Nominees Limited. In order to meet such deadline, you should check with your licensed securities dealer/registered institution in securities/custodian bank on the timing for the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them.

If your Inventive Shares are held through your Investor Participant Account maintained with CCASS, you must authorise your instruction via the CCASS Phone System or the CCASS Internet System on or before the deadline set out by HKSCC Nominees Limited.

No acknowledgement of receipt of any Form of Acceptance and Transfer will be given.

Your attention is also drawn to the further details regarding the procedures for acceptance set out in the Form of Acceptance and Transfer.

SETTLEMENT

Provided that a valid Form of Acceptance and Transfer is complete and in good order and has been received by the Transfer Agent by no later than 4:00 p.m. on the Closing Date, a cheque for the amount representing the consideration due to you in respect of the Inventive Shares tendered by you under the Privateco Offer will be despatched to you by ordinary post at your own risk within 10 days of the date on which the duly completed Form of Acceptance and Transfer which renders such acceptance complete and valid is received by the Transfer Agent.

Cheque(s) not presented for payment within six months from the date of issue of the relevant cheques will not be honoured and be of no further effect, and in such circumstances cheque holder(s) should contact the Offeror for payment.

Settlement of the consideration to which any Qualifying Inventive Shareholder is entitled under the Privateco Offer will be implemented in full in accordance with the terms of the Privateco Offer, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Qualifying Inventive Shareholder.

NOMINEE REGISTRATION

To ensure equality of treatment of all Qualifying Inventive Shareholders, those Qualifying Inventive Shareholders who hold Inventive Shares as nominee for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. In order for beneficial owners of the Inventive Shares, whose investments are registered in nominee names, to accept the Privateco Offer, it is essential that they provide instructions to their nominees of their intentions with regard to the Privateco Offer.

The completed Form of Acceptance and Transfer and remittances sent by or to the Qualifying Inventive Shareholders through ordinary post will be sent by or to them at their own risk. The remittances will be sent to them at their addresses as they appear in the register of members of Inventive (or in the case of joint Qualifying Inventive Shareholders, to the Qualifying Inventive Shareholder whose name stands first in the register of members of Inventive).

All such documents and remittances will be sent at the risk of the persons entitled thereto and none of the Offeror, Inventive, Somerley, any of their respective directors and any other persons involved in the Privateco Offer will be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof.

ACCEPTANCE PERIOD, EXTENSIONS AND REVISIONS

Unless the Privateco Offer has previously been extended or revised, the Privateco Offer will close at 4:00 p.m. on Monday, 7 May 2007 (being the Closing Date).

If the Privateco Offer is extended or revised, an announcement of such extension or revision will be published by the Offeror on the Stock Exchange's website under the Company and the SFC's website by 7:00 p.m. on the Closing Date which will state either the next closing date or that the Privateco Offer will remain open until further notice. In the latter case, it will remain open for acceptance for a period of not less than 14 days from the posting of the written notification of the extension or revision to those Qualifying Inventive Shareholders who have not accepted the Privateco Offer and, unless previously extended or revised, shall be closed at 4:00 p.m. on the subsequent closing date. The benefit of any revision of the Privateco Offer will also be available to all Qualifying Inventive Shareholders who have previously accepted the Privateco Offer. The execution of any Form of Acceptance and Transfer by or on behalf of any Qualifying Inventive Shareholders who have previously accepted the Privateco Offer shall be deemed to constitute acceptance of any revised Privateco Offer.

If the Closing Date is extended, any reference in this Composite Offer Document and in the Form of Acceptance and Transfer shall, except where the context otherwise requires, be deemed to refer to the closing date of the Privateco Offer so extended.

The Offeror may introduce new conditions to be attached to any revision to the Privateco Offer, or any subsequent revision thereof but only to the extent necessary to implement the revised offer and subject to the consent of the Executive.

ANNOUNCEMENTS

By 6:00 p.m. on the Closing Date (or such later time and/or date as the Executive may in exceptional circumstances permit) the Offeror shall inform the Executive of its intention in relation to the extension or revision of the Privateco Offer. The Offeror shall publish an announcement on the Stock Exchange's website by 7:00 p.m. on the Closing Date stating whether the Privateco Offer has been revised or extended. Such announcement will be republished in accordance with the Takeovers Code on the next Business Day thereafter, which shall state the total number of Inventive Shares and rights over Inventive Shares:

- (i) for which acceptances of the Privateco Offer have been received;
- (ii) held, controlled or directed by the Offeror or any parties acting in concert with it before 17 November 2006 (being the commencement date of the offer period as defined in the Takeovers Code for the Privateco Offer); and
- (iii) acquired or agreed to be acquired during the offer period as defined in the Takeovers Code for the Privateco Offer by the Offeror or any parties acting in concert with it.

The announcement must specify the percentages of the issued share capital of Inventive, and the percentages of voting rights, represented by the total number of issued Inventive Shares.

In computing the number of Inventive Shares represented by acceptances, only valid acceptances that are complete and in good order and which have been received by the Transfer Agent by no later than 4:00 p.m. on the Closing Date shall be included.

As required under the Takeovers Code, all announcements in relation to the Privateco Offer in respect of which the Executive has confirmed that he has no further comments thereon must be published as a paid announcement in at least one English language newspaper and one Chinese language newspaper, being in each case a newspaper which is published daily and circulating generally in Hong Kong. All documents published in respect of Inventive will be delivered to the Executive in electronic form for publication on the SFC's website.

RIGHT OF WITHDRAWAL

Acceptance of the Privateco Offer tendered by the Qualifying Inventive Shareholders shall be irrevocable and cannot be withdrawn unless the Executive requires that a right of withdrawal is granted in the event that the requirements of Rule 19 of the Takeovers Code have not been complied with.

GENERAL

- (i) Acceptance of the Privateco Offer by any person will be deemed to constitute a warranty by such person to the Offeror and Inventive that the Inventive Shares sold under the Privateco Offer are sold by such person free from all rights of pre-emption, options, liens, claim, equities, charges, encumbrances or third party rights of any nature and the relevant Inventive Shares are sold with all rights attaching or accruing thereto, including the right to receive all dividends and distributions declared, paid or made on or after the date of the issue of those Inventive Shares.
- (ii) All communications, notices, Forms of Acceptance and Transfer and remittances to settle the consideration payable under the Privateco Offer to be delivered by or sent to or from the accepting Qualifying Inventive Shareholders will be delivered by or sent to or from them, or their designated agents, by post at their own risk, and none of the Offeror, Inventive, Somerley, any of their respective directors, agents and advisers accepts any liability for any loss in postage or any other liabilities that may arise as a result thereof.
- (iii) The provisions set out in the Form of Acceptance and Transfer form part of the terms of the Privateco Offer.
- (iv) The accidental omission to despatch this Composite Offer Document and/or the Form of Acceptance and Transfer to any person to whom the Privateco Offer is made will not invalidate the Privateco Offer in any way.
- (v) The Privateco Offer, all acceptances thereof and contracts resulting therefrom will be governed by and construed in accordance with the Laws of Hong Kong.
- (vi) References to the Privateco Offer in this Composite Offer Document and in the Form of Acceptance and Transfer shall include any revision or extension thereof.
- (vii) Due execution of the Form of Acceptance and Transfer will constitute an irrevocable authority to any director of the Offeror or Somerley or such person or persons as the Offeror or Somerley may direct to complete and execute, on behalf of the person accepting the Privateco Offer, any document and to do any other act that may be necessary or expedient for the purpose of vesting in the Offeror, or such other person(s) as the Offeror shall direct, all rights of the accepting Qualifying Inventive Shareholders in respect of the Inventive Shares which are the subject of such acceptance.

FINANCIAL SUMMARY

Set out below is a financial summary of the Inventive Group extracted from the accountants' report on the Inventive Group which is available for inspection as referred to in the section headed "Documents available for inspection" in Appendix VII to this Composite Offer Document:

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

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

Notes:

- (i) An unqualified opinion in respect of the audit of the financial statements of the Inventive Group has been issued by Horwath Hong Kong CPA Limited for the three years ended 31 March 2006 and the six months ended 30 September 2006.
- (ii) There were no extraordinary items, exceptional items and minority interests for the Inventive Group during the three years ended 31 March 2006 and the six months ended 30 September 2006.

ACCOUNTANTS' REPORT ON THE INVENTIVE GROUP

Set out below is the extract of the accountants' report on the Inventive Group which is available for inspection as referred to in the section headed "Documents available for inspection" in Appendix VII to this Composite Offer Document:

COMBINED INCOME STATEMENTS

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

COMBINED INCOME STATEMENTS (Continued)

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

APPENDIX II
**FINANCIAL INFORMATION ON
THE INVENTIVE GROUP**
COMBINED BALANCE SHEETS

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

APPENDIX II

**FINANCIAL INFORMATION ON
THE INVENTIVE GROUP**

COMBINED BALANCE SHEETS *(Continued)*

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

COMBINED STATEMENTS OF CHANGES IN EQUITY

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

APPENDIX II
**FINANCIAL INFORMATION ON
THE INVENTIVE GROUP**
COMBINED CASH FLOW STATEMENTS

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

APPENDIX II
**FINANCIAL INFORMATION ON
THE INVENTIVE GROUP**
COMBINED CASH FLOW STATEMENTS (Continued)

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

COMBINED CASH FLOW STATEMENTS (Continued)

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

NOTES TO THE FINANCIAL INFORMATION

1. General information

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

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

2. Basis of presentation of financial information

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

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

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

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

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

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

4. Principal accounting policies

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

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

NOTES TO THE FINANCIAL INFORMATION *(Continued)***4. Principal accounting policies** *(Continued)***(a) Group accounting***(i) Consolidation*

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

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

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

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

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

(ii) Business combinations

The acquisition of subsidiaries, other than those of the Group Reorganisation, is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by Inventive Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities assumed in a business combination are recognised at their fair values at the acquisition date.

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

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

NOTES TO THE FINANCIAL INFORMATION (*Continued*)4. Principal accounting policies (*Continued*)(a) Group accounting (*Continued*)

(iii) Goodwill

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

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

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

(iv) Subsidiary

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

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

(v) Jointly controlled entity

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

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

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

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

NOTES TO THE FINANCIAL INFORMATION (*Continued*)4. Principal accounting policies (*Continued*)

(b) Property, plant and equipment

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

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

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

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

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

(c) Investment properties

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

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

(d) Intangible asset

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

NOTES TO THE FINANCIAL INFORMATION (*Continued*)4. Principal accounting policies (*Continued*)

(e) Impairment of assets

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

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

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

(f) Financial instruments

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

(i) *Receivables*

Receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate provision for estimated irrecoverable amounts are recognised in income statement when there is objective evidence that the asset is impaired. The provision recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

(ii) *Cash and cash equivalents*

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

NOTES TO THE FINANCIAL INFORMATION (*Continued*)4. Principal accounting policies (*Continued*)(f) Financial instruments (*Continued*)(iii) *Financial liabilities and equity*

Financial liabilities and equity instruments issued by Inventive Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of Inventive Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(iv) *Borrowings*

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

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

(v) *Trade and other payables*

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

(vi) *Equity instruments*

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

(g) Provisions

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

NOTES TO THE FINANCIAL INFORMATION *(Continued)*4. Principal accounting policies *(Continued)*

(h) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of Inventive Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

(i) Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Inventive Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

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

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

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

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

(j) Revenue recognition

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

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

NOTES TO THE FINANCIAL INFORMATION (*Continued*)**4. Principal accounting policies** (*Continued*)**(j) Revenue recognition** (*Continued*)

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

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

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

(k) Employee benefits**(i) Employee leave entitlements**

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

(ii) Retirement scheme obligations

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

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

(l) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

(m) Segment reporting

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

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

NOTES TO THE FINANCIAL INFORMATION (*Continued*)4. Principal accounting policies (*Continued*)

(n) Translation of foreign currencies

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

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

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

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

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

(o) Leases

(i) *Finance leases*

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

(ii) *Operating leases*

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

NOTES TO THE FINANCIAL INFORMATION *(Continued)*4. **Principal accounting policies** *(Continued)*(p) **Related parties**

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

5. **Significant accounting judgements and estimates**

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

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

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

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

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

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

For operating right of expressway, amortisation is provided based on the share of traffic volume for a particular period over the projected total traffic volume throughout the periods for which Inventive Group is granted the right to operate.

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

Assessment of impairment of assets

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

Impairment of goodwill

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

NOTES TO THE FINANCIAL INFORMATION (Continued)

6. Revenues and turnover

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

	Year ended 31 March			Six months ended 30 September	
	2004 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000
(Unaudited)					
From continuing operations					
Turnover					
Toll road income	—	—	41,545	—	79,179
Rental income	—	—	945	450	135
	—	—	42,490	450	79,314
Other revenues					
Management fee and other income					
— from immediate holding company	486	8,621	11,596	5,112	5,021
— from discontinued operation	288	6,468	4,917	4,277	—
Interest income	1,924	7,078	153	—	43
Subsidy income	—	—	—	—	2,168
Other income	—	1,200	—	—	1,190
	2,698	23,367	16,666	9,389	8,422
Total revenues	<u>2,698</u>	<u>23,367</u>	<u>59,156</u>	<u>9,839</u>	<u>87,736</u>
From discontinued operations					
Turnover					
Rental income	73,655	84,964	53,313	43,462	—
Other revenues					
Interest income	399	484	857	626	—
Guaranteed net rental receipts	16,721	20,759	2,056	—	—
Other income	—	25	—	—	—
	17,120	21,268	2,913	626	—
Total revenues	<u>90,775</u>	<u>106,232</u>	<u>56,226</u>	<u>44,088</u>	<u>—</u>

NOTES TO THE FINANCIAL INFORMATION (Continued)

6. Revenues and turnover (Continued)

(a) Primary reporting format — business segments

The Inventive Group is organised into two main business segments:

- Toll road operation
- Property rental

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

No business analysis is provided for the years ended 31 March 2004 and 2005 and the six months ended 30 September 2005 as the Inventive Group engaged in one segment only — property rental.

For the year ended 31 March 2006

	Continuing operations		Discontinued operation	Unallocated	Consolidated
	Toll road operation	Property rental	Property rental		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	41,545	945	53,313		95,803
Segment results	16,633	785	34,766		52,184
Unallocated corporate expenses (net)					(62,044)
Interest income					(9,860)
Finance costs					1,010
Share of results of a jointly controlled entity	(5,226)	—	—		(80,929)
Waiver of amount due to holding company					(5,226)
Gain on disposal of subsidiaries					400,219
					25,700
Profit before taxation					330,914
Taxation credit					3,246
Profit for the year attributable to equity holders of Inventive					334,160
Segment assets	2,376,558	20,453	—		2,397,011
Unallocated corporate assets					50,353
Consolidated total assets					2,447,364
Segment liabilities	1,588,021	12,117	—		1,600,138
Deferred tax liabilities					5
Unallocated corporate liabilities					880,450
Consolidated total liabilities					2,480,593

NOTES TO THE FINANCIAL INFORMATION (Continued)

6. Revenues and turnover (Continued)

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

	Continuing operations		Discontinued operations	Unallocated	Consolidated
	Toll road operation	Property rental	Property rental		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Capital expenditures	—	—	—	93	93
Depreciation	618	—	—	1,406	2,024
Amortisation	13,283	—	—	—	13,283
<i>For the year ended 30 September 2006</i>					
	Toll road operation	Property rental		Unallocated	Consolidated
	HK\$'000	HK\$'000		HK\$'000	HK\$'000
Turnover	79,179	135			79,314
Segment results	20,221	(3,692)			16,529
Unallocated corporate expenses (net)					(2,437)
Interest income					14,092
Interest expenses					43
Profit before taxation					(46,739)
Taxation credit					(32,604)
Profit for the year attributable to equity holders of Inventive					5
Segment assets	2,487,360	16,545			(32,599)
Unallocated corporate assets					2,503,905
Consolidated total assets					40,214
Segment liabilities	1,639,571	11,684			2,544,119
Unallocated corporate liabilities					1,651,255
Consolidated total liabilities					944,523
Capital expenditures	573	—	—	—	2,595,778
Depreciation	1,155	—	—	710	573
Amortisation	25,354	—	—	—	1,865
					25,354

NOTES TO THE FINANCIAL INFORMATION (Continued)

6. Revenues and turnover (Continued)

(b) Secondary reporting format — geographical segment

No geographical analysis is provided for the year ended 31 March 2004 as less than 10% of the consolidated turnover, consolidated profit and consolidated assets of the Inventive Group are attributable to markets outside Hong Kong.

The following is an analysis of Inventive Group's turnover, analysed by the geographical market:

	Year ended 31 March		Six months ended 30 September	
	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000 (Unaudited)	2006 HK\$'000
From discontinued operations				
— Hong Kong	84,964	53,313	43,462	—
From continuing operations				
— Hong Kong	—	945	450	135
— People's Republic of China (the "PRC")	—	41,545	—	79,179
	<u>84,964</u>	<u>95,803</u>	<u>43,912</u>	<u>79,314</u>

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

Carrying amount of segment assets	As at 31 March		As at 30 September
	2005 HK\$'000	2006 HK\$'000	2006 HK\$'000
Hong Kong	1,606,941	66,806	56,759
PRC	584,419	2,380,558	2,487,360
	<u>2,191,360</u>	<u>2,447,364</u>	<u>2,544,119</u>
Additions to investment properties, property, plant and equipment	Year ended 31 March		Six months ended 30 September
	2005 HK\$'000	2006 HK\$'000	2006 HK\$'000
Hong Kong	7,313	93	—
PRC	196,478	—	573
	<u>203,791</u>	<u>93</u>	<u>573</u>

NOTES TO THE FINANCIAL INFORMATION (Continued)

7. Net profit/(loss) for the year/period

	Year ended 31 March			Six months ended 30 September	
	2004	2005	2006	2005	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Net profit/(loss) for the year/period is stated after crediting and charging the following:					
Auditors' remuneration	260	266	222	71	111
Operating leases of land and buildings	960	2,729	2,420	960	1,710
Depreciation of property, plant and equipment	349	1,096	2,024	701	1,865
Amortisation of intangible assets	—	—	13,283	—	25,354
	<u>—</u>	<u>—</u>	<u>13,283</u>	<u>—</u>	<u>25,354</u>

8. Staff costs

The amount of staff costs charged to combined income statements represents:

	Year ended 31 March			Six months ended 30 September	
	2004	2005	2006	2005	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Salaries and allowances	714	4,895	7,004	4,337	3,515
Retirement benefit cost (note 11)	19	112	163	48	494
	<u>733</u>	<u>5,007</u>	<u>7,167</u>	<u>4,385</u>	<u>4,009</u>

NOTES TO THE FINANCIAL INFORMATION (Continued)

9. Finance costs

Finance costs comprise the following:

	Year ended 31 March			Six months ended 30 September	
	2004 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000
(Unaudited)					
From continuing operations					
Interest on bank loans and overdrafts					
— wholly repayable within five years	191	937	793	716	—
— not wholly repayable within five years	—	—	28,176	311	46,724
Interest on amount due to holding company	1,179	1,184	1,244	852	—
Interest element of finance lease	25	48	30	17	9
	<u>1,395</u>	<u>2,169</u>	<u>30,243</u>	<u>1,896</u>	<u>46,733</u>
Total borrowing costs incurred					
Bank facilities arrangement fee	89	8	357	354	6
	<u>1,484</u>	<u>2,177</u>	<u>30,600</u>	<u>2,250</u>	<u>46,739</u>
From discontinued operations					
Interest on bank loans and overdrafts not wholly repayable within five years	12,253	14,490	23,398	18,536	—
Other loan interest	—	—	13,827	10,849	—
Interest paid to holding company	17,473	18,721	7,975	6,616	—
Interest paid to a related company	3,061	—	—	—	—
	<u>32,787</u>	<u>33,211</u>	<u>45,200</u>	<u>36,001</u>	<u>—</u>
Total borrowing costs incurred					
Bank charge	323	3,227	1,004	1,003	—
Bank facilities arrangement fee paid to holding company	1,500	5,537	4,125	3,375	—
	<u>34,610</u>	<u>41,975</u>	<u>50,329</u>	<u>40,379</u>	<u>—</u>

NOTES TO THE FINANCIAL INFORMATION (Continued)

10. Taxation

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

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

	Year ended 31 March			Six months ended 30 September	
	2004 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000 (Unaudited)	2006 HK\$'000
Hong Kong Profits tax					
— provision for current year	5,679	7,047	—	—	—
— over provision in prior years	47	(63)	(1,355)	(1,355)	—
	<u>5,726</u>	<u>6,984</u>	<u>(1,355)</u>	<u>(1,355)</u>	<u>—</u>
Deferred taxation resulting from origination and reversal of temporary differences	<u>2,525</u>	<u>(624)</u>	<u>(1,891)</u>	<u>(1,985)</u>	<u>(5)</u>
Taxation charge/(credit)	<u>8,251</u>	<u>6,360</u>	<u>(3,246)</u>	<u>(3,340)</u>	<u>(5)</u>
From continuing operations	26	1,468	(1,156)	(1,161)	(5)
From discontinued operations	<u>8,225</u>	<u>4,892</u>	<u>(2,090)</u>	<u>(2,179)</u>	<u>—</u>
	<u>8,251</u>	<u>6,360</u>	<u>(3,246)</u>	<u>(3,340)</u>	<u>(5)</u>

NOTES TO THE FINANCIAL INFORMATION (Continued)

10. Taxation (Continued)

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

	Year ended 31 March			Six months ended 30 September	
	2004 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000 (Unaudited)	2006 HK\$'000
Profit/(loss) before taxation					
— from continuing operations	(296)	(3,496)	363,524	(3,435)	(32,604)
— from discontinued operations	129,111	(84,849)	(32,610)	(8,813)	—
	<u>128,815</u>	<u>(88,345)</u>	<u>330,914</u>	<u>(12,248)</u>	<u>(32,604)</u>
Calculation at a taxation rate of 17.5%	22,543	(15,460)	57,910	(2,143)	(5,706)
Income and expenditure not subject to taxation	(2,554)	(183)	3,808	(51)	527
Expenses not deductible for tax purposes	2,419	20,957	9,614	1	306
Non-taxable items	(14,395)	(11)	(75,737)	364	(208)
Unrecognised tax losses and deductible temporary differences	51	(33)	1,783	(156)	5,076
Tax effect of share of results of a jointly controlled entity	—	1,072	915	184	—
Under/(over) provision in prior years	—	(63)	(1,539)	(1,539)	—
Others	187	81	—	—	—
Taxation charge/(credit)	<u>8,251</u>	<u>6,360</u>	<u>(3,246)</u>	<u>(3,340)</u>	<u>(5)</u>

NOTES TO THE FINANCIAL INFORMATION (Continued)

11. Retirement benefit costs

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

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

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

12. Discontinued operations

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

- (a) On 11 November 2005, the Group disposed of the entire interests in Winsworld Properties Limited (“Winsworld”) to an independent third party. Winsworld was principally engaged in property investment and held an investment property known as “Elizabeth House” in Hong Kong.
- (b) On 23 December 2005, the Group disposed of the entire interests in Pacific Land Limited, Raisefull Limited and Sharpstate Limited, all of which engaged in property investment, as partial settlement of the consideration for acquisition of the remaining 55.1% equity interest in Ningbo Beilun Port Expressway Company Limited (“Beilun Company”).

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

	Year ended 31 March			Six months ended 30 September	
	2004 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000
Profit/(loss) of discontinued operations for the year	120,886	(89,879)	(6,224)	(6,132)	—
Gain on disposal of discontinued operations	—	—	25,700	—	—
Cost on disposal of discontinued operations	—	—	(50,006)	—	—
	<u>120,886</u>	<u>(89,879)</u>	<u>(30,530)</u>	<u>(6,132)</u>	<u>—</u>

NOTES TO THE FINANCIAL INFORMATION (Continued)

12. Discontinued operation (Continued)

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

	Year ended 31 March			Six months ended 30 September	
	2004 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000 (Unaudited)	2006 HK\$'000
Revenue	73,655	84,964	53,313	43,462	—
Direct costs	(9,788)	(13,123)	(9,828)	(7,288)	—
Gross profit	63,867	71,841	43,485	36,174	—
Other revenue	17,120	21,268	2,913	626	—
Administrative expenses	(5,831)	(8,736)	(5,858)	(6,207)	—
Profit from operations	75,156	84,373	40,540	30,593	—
Increase/(decrease) in fair value of investment properties	88,565	(127,385)	1,475	1,475	—
Finance costs	(34,610)	(41,975)	(50,329)	(40,379)	—
Profit/(loss) before taxation	129,111	(84,987)	(8,314)	(8,311)	—
Taxation	(8,225)	(4,892)	2,090	2,179	—
Profit/(loss) for the year/period	<u>120,886</u>	<u>(89,879)</u>	<u>(6,224)</u>	<u>(6,132)</u>	<u>—</u>

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

	Year ended 31 March			Six months ended 30 September	
	2004 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000 (Unaudited)	2006 HK\$'000
Net cash (outflow)/inflow from operating activities	90,579	215,601	(605)	(57,172)	—
Net cash outflow from investing activities	(1,435)	(307,556)	—	—	—
Net cash outflow from financing activities	(117,415)	(201,560)	(11,175)	47,214	—
	<u>(28,271)</u>	<u>(293,515)</u>	<u>(11,780)</u>	<u>(9,958)</u>	<u>—</u>

NOTES TO THE FINANCIAL INFORMATION (Continued)

13. Dividend

No dividend was declared during the Relevant Periods.

14. Earnings/loss per share

No earnings/loss per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to Reorganisation and the preparation of the results for the Relevant Periods on a combined basis as disclosed in note 2 above.

15. Directors' and senior management's emoluments**(a) No emoluments were paid or payable to directors of Inventive during the Relevant Period.**

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

(b) Five highest paid individuals

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

	Year ended 31 March			Six months ended 30 September	
	2004	2005	2006	2005	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Salaries and other benefits	959	2,036	3,212	2,350	1,299
MPF contributions	16	26	12	6	18
	<u>975</u>	<u>2,062</u>	<u>3,224</u>	<u>2,356</u>	<u>1,317</u>

The emoluments fell within the following band:

Emolument bands HK\$	Number of individuals				
	Year ended 31 March			Six months ended 30 September	
	2004	2005	2006	2005	2006
0 — 1,000,000	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>

NOTES TO THE FINANCIAL INFORMATION (Continued)

16. Property, plant and equipment

	Leasehold improvements <i>HK\$'000</i>	Toll collection equipment <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles and others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost:					
At 1 April 2003	—	—	—	—	—
Additions	—	—	585	2,199	2,784
At 31 March 2004	—	—	585	2,199	2,784
Additions	3,647	—	23	—	3,670
At 31 March 2005	3,647	—	608	2,199	6,454
Acquisition of subsidiaries	38,703	398	605	1,171	40,877
Additions	—	—	93	—	93
Exchange adjustment	286	3	5	8	302
At 31 March 2006	42,636	401	1,311	3,378	47,726
Additions	—	—	378	195	573
Disposals	—	—	(33)	(41)	(74)
Exchange adjustment	717	8	16	24	765
At 30 September 2006	43,353	409	1,672	3,556	48,990
Accumulated depreciation:					
At 1 April 2003	—	—	—	—	—
Charge for the year	—	—	55	294	349
At 31 March 2004	—	—	55	294	349
Charge for the year	425	—	121	550	1,096
At 31 March 2005	425	—	176	844	1,445
Acquisition of subsidiaries	862	145	397	678	2,082
Charge for the year	1,179	25	176	644	2,024
Exchange adjustment	9	1	3	5	18
At 31 March 2006	2,475	171	752	2,171	5,569
Charge for the year	1,238	39	182	406	1,865
Written back on disposal	—	—	(30)	(40)	(70)
Exchange adjustment	35	4	10	16	65
At 30 September 2006	3,748	214	914	2,553	7,429
Net book value:					
At 30 September 2006	<u>39,605</u>	<u>195</u>	<u>758</u>	<u>1,003</u>	<u>41,561</u>
At 31 March 2006	<u>40,161</u>	<u>230</u>	<u>559</u>	<u>1,207</u>	<u>42,157</u>
At 31 March 2005	<u>3,222</u>	<u>—</u>	<u>432</u>	<u>1,355</u>	<u>5,009</u>
At 31 March 2004	<u>—</u>	<u>—</u>	<u>530</u>	<u>1,905</u>	<u>2,435</u>

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

NOTES TO THE FINANCIAL INFORMATION (Continued)

17. Investment property

	<i>HK\$'000</i>
At 1 April 2003	1,530,000
Additions	1,435
Increase in fair value during the year	<u>88,565</u>
At 31 March 2004	1,620,000
Additions	200,121
Decrease in fair value during the year	<u>(127,385)</u>
At 31 March 2005	1,692,736
Increase in fair value during the year	1,475
Acquisition of a subsidiary	20,000
Disposal of subsidiaries	<u>(1,694,211)</u>
At 31 March 2006	20,000
Decrease in fair value during the period	<u>(3,500)</u>
At 30 September 2006	<u><u>16,500</u></u>

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

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

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

At 30 September 2006, the investment property was mortgaged as securities for bank loans of HK\$11,663,000 granted to the Inventive Group (note 28).

NOTES TO THE FINANCIAL INFORMATION (Continued)

18. Intangible assets

Operating right of Ningbo Beilun Port Expressway	<i>HK\$'000</i>
Cost:	
At 1 April 2003 and 31 March 2004 and 2005	—
Acquisition of a subsidiary	1,862,607
Exchange adjustment	13,764
	<hr/>
At 31 March 2006	1,876,371
Exchange adjustment	34,507
	<hr/>
At 30 September 2006	1,910,878
	<hr/>
Accumulated amortisation	
At 1 April 2003 and 31 March 2004 and 2005	—
Acquisition of a subsidiary	87,654
Charge for the year	13,283
Exchange adjustment	701
	<hr/>
At 31 March 2006	101,638
Charge for the period	25,354
Exchange adjustment	2,192
	<hr/>
At 30 September 2006	129,184
	<hr/>
Net book value:	
At 30 September 2006	1,781,694
	<hr/> <hr/>
At 31 March 2006	1,774,733
	<hr/> <hr/>
At 31 March 2005 and 2004	—
	<hr/> <hr/>

At 30 September 2006, the operating right of Ningbo Beilun Port Expressway was pledged as security for the bank loan of HK\$1,589 million (equivalent to RMB1,612 million) granted to the Inventive Group (note 28).

The amortisation charge for the year is included in direct costs in the combined income statement.

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

NOTES TO THE FINANCIAL INFORMATION (Continued)

19. Goodwill

	<i>HK\$'000</i>
At 1 April 2003 and 31 March 2004 and 2005	—
Arising on acquisition of a subsidiary	237,413
Transfer from interest in a jointly controlled entity	24,623
Exchange adjustment	2,394
	<u> </u>
At 31 March 2006	264,430
Exchange adjustment	4,863
	<u> </u>
At 30 September 2006	<u>269,293</u>

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

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

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

20. Investment in a jointly controlled entity

	2004	As at 31 March 2005	2006	As at 30 September 2006
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Share of net assets	—	239,250	—	—
Goodwill on acquisition	—	24,623	—	—
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u> </u>	<u>263,873</u>	<u> </u>	<u> </u>

At 31 March 2005, Inventive Group held a 44.9% equity interest in Beilun Company. On 23 December 2005, Inventive Group further acquired the remaining 55.1% equity interest in Beilun Company (note 30(a)(i)) and accordingly, Beilun Company became a wholly-owned subsidiary of Inventive and its financial statements have been consolidated into the Inventive Group since that date.

NOTES TO THE FINANCIAL INFORMATION (Continued)

21. Deposit for acquisition of a subsidiary

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

22. Deposit for acquisition of investment properties

The deposit represents payment for acquisition of properties which were located in the PRC.

23. Trade and other receivables, deposits and prepayments

	2004	As at 31 March		As at
	2005	2006	2006	30 September
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables (<i>note (a)</i>)	2,856	6,240	19,656	2,142
Loan receivables (<i>note (b)</i>)	240,222	36,000	34,000	34,000
Other receivables	16,721	10,498	12,970	11,647
Deposits for construction and maintenance contracts	—	—	—	103,991
Other deposits and prepayments	12,114	3,682	2,632	881
	<u>271,913</u>	<u>56,420</u>	<u>69,258</u>	<u>152,661</u>

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

	2004	As at 31 March		As at
	2005	2006	2006	30 September
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	1,846	2,502	13,655	2,142
31 — 60 days	737	1,007	5,866	—
61 — 90 days	16	959	135	—
Over 90 days	257	1,772	—	—
	<u>2,856</u>	<u>6,240</u>	<u>19,656</u>	<u>2,142</u>

NOTES TO THE FINANCIAL INFORMATION (Continued)

23. Trade and other receivables, deposits and prepayments (Continued)

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

The other loan receivables amounting to HK\$45,132,000 as at 31 March 2004 were granted to two borrowers to finance their acquisition of equity interest in various companies holding property projects. The loans bore interest ranging from 0.5% above the Hong Kong Prime rate to 5% per annum and are secured by personal guarantees of the shareholders of the borrowers. During the year ended 31 March 2005, all these loans were repaid.

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

During the year ended 31 March 2005, the Inventive Group entered into a call option agreement with three third parties (collectively the “Vendors”) whereby an option premium of HK\$55 million was paid to the Vendors to acquire a right (the “Call Option”) to buy 65% equity interest in a company which holds equity interest in a number of toll road projects in the PRC at consideration of HK\$500 million. Subsequently, the Call Option was cancelled and partial refunds of option premium in the amount of HK\$19 million and HK\$2 million were received in the year ended 31 March 2005 and 2006 respectively. On 18 July 2006, Inventive Group and another third party entered into a debt assignment whereby Inventive Group assigned the remaining balance to the third party. On 5 January 2007, Inventive Group received the amount in full.

24. Pledged deposits

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

25. Other payables, deposits received and accrued charges

	2004	As at 31 March 2005	2006	As at 30 September 2006
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Rental deposits (i)	15,899	18,215	180	—
Other payables and accrued charges (ii)	4,961	203,693	18,163	26,408
	<u>20,860</u>	<u>221,908</u>	<u>18,343</u>	<u>26,408</u>

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

- (ii) On 17 January 2005, the Inventive Group entered into a memorandum of understanding (“MOU”) with an independent third party whereby the Inventive Group and the third party shall form a jointly venture targeting to acquire equity interests in toll road projects in the PRC. Pursuant to the MOU, the independent third party paid deposits of HK\$200,000,000 and HK\$100,000,000 to the Inventive Group for the above purpose in the year ended 31 March 2005 and 2006 respectively.

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

NOTES TO THE FINANCIAL INFORMATION (Continued)

26. Share capital

Inventive was incorporated in Bermuda on 27 September 2006, with an authorised share capital of HK\$200,000,000 divided into 2,000,000,000 shares of HK\$0.10 each.

27. Obligations under finance lease

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

	2004	As at 31 March		As at
	2005	2006	2006	30 September
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2006</i>
				<i>HK\$'000</i>
Within one year	354	354	354	236
In the second year	354	354	59	—
In the third to fifth year	414	59	—	—
	<u>1,122</u>	<u>767</u>	<u>413</u>	<u>236</u>
Future finance charges on finance lease	(92)	(43)	(13)	(4)
Present value of finance lease obligations	<u>1,030</u>	<u>724</u>	<u>400</u>	<u>232</u>

The present value of finance lease obligations is as follows:

Within one year	306	324	342	232
In the second year	324	342	58	—
In the third to fifth year	400	58	—	—
	<u>1,030</u>	<u>724</u>	<u>400</u>	<u>232</u>

28. Bank loans

	2004	As at 31 March		As at
	2005	2006	2006	30 September
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2006</i>
				<i>HK\$'000</i>
Bank loans, secured	612,500	855,000	1,572,167	1,600,612
Bank loans, unsecured	35,000	35,000	—	—
	<u>647,500</u>	<u>890,000</u>	<u>1,572,167</u>	<u>1,600,612</u>
Less: Amount due for settlement within 12 months (shown under current liabilities)	(91,000)	(95,000)	(1,686)	(4,078)
Amount due for settlement after 12 months	<u>556,500</u>	<u>795,000</u>	<u>1,570,481</u>	<u>1,596,534</u>

NOTES TO THE FINANCIAL INFORMATION (Continued)

28. Bank loans (Continued)

At 30 September 2006 and 31 March 2006, bank loans are secured by a charge over the operating right of the Ningbo Beilun Port Expressway of Inventive Group (notes 18) and corporate guarantee given by a related company.

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

The analysis of the above is as follows:

	2004	As at 31 March 2005	2006	As at 30 September 2006
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Wholly repayable within five years	35,000	890,000	—	—
Not wholly repayable within five years	612,500	—	1,572,167	1,600,612
	<u>647,500</u>	<u>890,000</u>	<u>1,572,167</u>	<u>1,600,612</u>

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

	2004	As at 31 March 2005	2006	As at 30 September 2006
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	91,000	95,000	1,686	4,078
In the second year	64,000	60,000	18,556	46,100
In the third to fifth year	249,000	735,000	313,534	370,555
After five years	243,500	—	1,238,391	1,179,879
	<u>647,500</u>	<u>890,000</u>	<u>1,572,167</u>	<u>1,600,612</u>

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

	2004	As at 31 March 2005	2006	As at 30 September 2006
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong dollar	647,500	890,000	11,912	11,664
Renminbi	—	—	1,560,255	1,588,948
	<u>647,500</u>	<u>890,000</u>	<u>1,572,167</u>	<u>1,600,612</u>

NOTES TO THE FINANCIAL INFORMATION (Continued)

28. Bank loans (Continued)

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

	2004 <i>HK\$'000</i>	As at 31 March 2005 <i>HK\$'000</i>	2006 <i>HK\$'000</i>	As at 30 September 2006 <i>HK\$'000</i>
Bank borrowings				
Hong Kong dollar	1.053%	3.977%	5.750%	6.000%
Renminbi	—	—	5.814%	5.814%
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The carrying amount of borrowings approximates their fair value.

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

29. Deferred tax liabilities

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

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

	2004 <i>HK\$'000</i>	As at 31 March 2005 <i>HK\$'000</i>	2006 <i>HK\$'000</i>	As at 30 September 2006 <i>HK\$'000</i>
At beginning of year/period	1,136	3,661	3,037	5
Charged/(credited) to combined income statement (note 10)	2,525	(624)	(1,891)	(5)
Disposal of subsidiaries	—	—	(1,141)	—
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At end of year/period	<u>3,661</u>	<u>3,037</u>	<u>5</u>	<u>—</u>

NOTES TO THE FINANCIAL INFORMATION (Continued)

29. Deferred tax liabilities (Continued)

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

Deferred tax liabilities	Accelerated tax depreciation <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2003	694	442	1,136
Charged/(credited) to combined income statement	2,580	(55)	2,525
At 31 March 2004	3,274	387	3,661
Credited to combined income statement	(237)	(387)	(624)
At 31 March 2005	3,037	—	3,037
Credited to combined income statement	(1,700)	—	(1,700)
Disposal of subsidiaries	(1,141)	—	(1,141)
At 31 March 2006	196	—	196
Credited to combined income statement	(42)	—	(42)
At 30 September 2006	<u>154</u>	<u>—</u>	<u>154</u>
Deferred tax assets			Tax loss <i>HK\$'000</i>
At 1 April 2003, 31 March 2004 and 2005			—
Credited to combined income statement			(191)
At 31 March 2006			(191)
Charged to combined income statement			37
At 30 September 2006			<u>(154)</u>

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

	2004 <i>HK\$'000</i>	As at 31 March 2005 <i>HK\$'000</i>	2006 <i>HK\$'000</i>	As at 30 September 2006 <i>HK\$'000</i>
Inventive Group				
Unutilised tax losses	<u>—</u>	<u>32</u>	<u>50,880</u>	<u>52,210</u>

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

NOTES TO THE FINANCIAL INFORMATION (Continued)

30. Notes to the combined cash flow statements

(a) Acquisition of subsidiaries

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

	HK\$'000
Net assets acquired	
Intangible assets	1,774,953
Property, plant and equipment	38,795
Trade and other receivables, deposits and prepayments	46,576
Amounts due from related companies	273,261
Cash and bank balances	8,956
Accounts and other payables	(58,858)
Amount due to a related company	(3,862)
Bank borrowings	<u>(1,548,810)</u>
	<u>531,011</u>
55.1% equity interest acquired	292,587
Goodwill	<u>237,413</u>
Total consideration	<u>530,000</u>
Total consideration is satisfied by	
Cash	185,500
Entire interests (including the loans made by Inventive Group) in three subsidiaries, which held properties in the PRC (note 30(b)(ii))	<u>344,500</u>
	<u>530,000</u>

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

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

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

NOTES TO THE FINANCIAL INFORMATION (Continued)

30. Notes to the combined cash flow statements (Continued)

(a) Acquisition of subsidiaries (Continued)

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

The net assets acquired in the transaction are as follows:

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

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

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

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

	<i>HK\$'000</i>
Cash consideration paid	(187,288)
Cash and cash equivalents acquired	<u>8,957</u>
	<u>(178,331)</u>

NOTES TO THE FINANCIAL INFORMATION (Continued)

30. Notes to the combined cash flow statements (Continued)

(b) Disposal of subsidiaries

- (i) As disclosed in note 12(a), during the year ended 31 March 2006, the Inventive Group disposed of its subsidiary, Winsworld Properties Limited.

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

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

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

- (ii) As disclosed in note 30(a)(i), the Inventive Group disposed of entire interests in Pacific Land Limited, Raisefull Limited and Sharpstate Limited for settlement of consideration of HK\$344.5 million.

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

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

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

NOTES TO THE FINANCIAL INFORMATION (Continued)

30. Notes to the combined cash flow statements (Continued)

(b) Disposal of subsidiaries (Continued)

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

	<i>HK\$'000</i>
Cash consideration received	346,352
Cash and cash equivalents disposed of	(363)
	<u>345,989</u>

31. Commitments

Operating lease

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

	2004	As at 31 March	2006	As at
	<i>HK\$'000</i>	2005	<i>HK\$'000</i>	30 September
		<i>HK\$'000</i>	<i>HK\$'000</i>	2006
				<i>HK\$'000</i>
Not later than one year	2,844	1,920	2,460	3,420
Later than one year and not later than five years	<u>3,727</u>	<u>960</u>	<u>1,000</u>	<u>4,090</u>
	<u>6,571</u>	<u>2,880</u>	<u>3,460</u>	<u>7,510</u>

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

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

NOTES TO THE FINANCIAL INFORMATION (Continued)

32. Related party transactions

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

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

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

	Year ended 31 March			Six months ended 30 September	
	2004	2005	2006	2005	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Rental expenses (Note (i))	960	1,920	1,920	960	960
Purchase of motor vehicles	390	—	—	—	—
Management fee paid (Note (ii))	—	—	4,030	—	6,073
Management fee and other income from immediate holding company	486	8,621	11,596	5,112	5,021

- (i) The Inventive Group rented office premises, certain furniture and fixtures and car parks for three years effective from 1 October 2003 at a HK\$160,000 per month from Mexan International Limited (“MIL”). On 18 September 2006, the Inventive Group entered into a new tenancy agreement with MIL to extend the lease arrangement for a three-year period to 30 September 2009. MIL is beneficially owned as to approximately 95% by Mr Lau Kan Shan, an executive director, chairman and controlling shareholder of the immediate holding company of Inventive.
- (ii) Beilun Company, Inventive’s subsidiary and Shanghai Mexan Enterprise Development (Group) Company Limited (“Shanghai Mexan”) entered into a toll road management agreement and a supplemental agreement whereby Beilun Company contracted with Shanghai Mexan for the latter company to manage the operations of the Ningbo Beilun Port Expressway for a total sum of RMB300 million for a period of 24 years commencing 1 July 2004 with an annual management fee of RMB12,500,000. Beilun Company has a right to terminate the contract by giving a 6-month written notice to Shanghai Mexan.

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

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

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

- (b) In connection with management contract as disclosed in note (a)(ii), Beilun Company has made prepayments of management fees to Shanghai Mexan. In case Beilun Company exercises its right to early terminate the management contracts, Shanghai Mexan will repay Beilun Company the remaining balance of the prepaid management fees.
- (c) Amounts due from and to related companies are unsecured, interest free and repayable on demand.

NOTES TO THE FINANCIAL INFORMATION (Continued)

32. Related party transactions (Continued)

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

MHL is 99.99% beneficially owned by Mr Lau Kan Shan. CHAM is 66.67% beneficially owned by Shanghai Mexan. These related party transactions also constitute connected transactions as defined in Charter 14A of the Listing Rules. Details of the transactions are set out in the announcement of Mexan Limited dated 31 August 2005 and the circular of Mexan Limited dated 14 November 2005.

- (e) The amount due to holding company is unsecured, non-interest bearing and in substance represent the holding company’s interest in Inventive Group in the form of quasi-equity loans.
- (f) The remuneration of members of key management during the Relevant Periods was as follows:

	Year ended 31 March			Six months ended 30 September	
	2004 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000 (Unaudited)	2006 HK\$'000
Salaries	753	1,699	1,924	850	1,031
MPF contribution	20	43	35	17	18
	<u>773</u>	<u>1,742</u>	<u>1,959</u>	<u>867</u>	<u>1,049</u>

33. Financial risk management

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

(a) Credit risk

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

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

NOTES TO THE FINANCIAL INFORMATION *(Continued)***33. Financial risk management****(b) Liquidity risk**

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

(c) Fair value and cash flow interest rate risk

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

The Inventive Group's exposure to interest rate risks relates primarily to the Inventive Group's borrowings with a floating interest rate. The interest rates and terms of repayment of the Inventive Group's borrowings are disclosed in note 28 to the financial statements. The Inventive Group's policy is to obtain the most favorable interest rates available for its borrowings.

(d) Foreign exchange risk

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

(e) Fair values estimation

All financial instruments are carried at amounts not materially different from their fair values as at 31 March 2004, 2005 and 2006 and 30 September 2006.

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

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

34. Subsequent events

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

SUBSEQUENT ACCOUNTS

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

PRO FORMA ASSETS AND LIABILITIES STATEMENT OF THE INVENTIVE GROUP AS
AT 30 SEPTEMBER 2006

The unaudited pro forma financial information of the Inventive Group has been prepared giving effect to the proposal in respect of the Group Reorganisation.

The unaudited pro forma assets and liabilities statement of the Inventive Group is based upon the combined balance sheet of the Inventive Group as at 30 September 2006, which has been extracted from the accountants' report on the Inventive Group for the three years ended 31 March 2006 and the six months ended 30 September 2006, giving effect to the pro forma adjustments of the Group Reorganization that are (i) directly attributable to the transaction; and (ii) factually supportable, are summarized in the accompany notes.

The unaudited pro forma assets and liabilities statement of the Inventive Group was prepared for illustrative purposes only and because of its nature, it may not give a true picture of the financial position of the Inventive Group following completion of the Group Reorganisation or at any future date.

	Inventive Group as at 30 September 2006	Pro forma adjustments		Pro forma Inventive Group
	<i>HK\$'000</i> <i>(Note 1)</i>	<i>HK\$'000</i> <i>(Note 2)</i>	<i>HK\$'000</i> <i>(Note 3)</i>	<i>HK\$'000</i>
Non-current assets				
Property, plant and equipment	41,561			41,561
Investment property	16,500			16,500
Intangible assets	1,781,694			1,781,694
Goodwill	269,293			269,293
Amount due from a related company	255,681			255,681
	2,364,729			2,364,729
Current assets				
Trade and other receivables, deposits and prepayments	152,661			152,661
Amount due from a related company	12,321			12,321
Cash at banks and in hand	14,408			14,408
	179,390			179,390

APPENDIX III
**PRO FORMA FINANCIAL INFORMATION
ON THE INVENTIVE GROUP**

	Inventive Group as at 30 September 2006	Pro forma adjustments		Pro forma Inventive Group
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Note 1)</i>	<i>(Note 2)</i>	<i>(Note 3)</i>	
Current liabilities				
Other payables, deposits received and accrued charges	26,408			26,408
Amounts due to related companies	24,887			24,887
Current portion of obligations under finance lease	232			232
Current portion of bank loans	4,078			4,078
	<u>55,605</u>			<u>55,605</u>
Net current assets	<u>123,785</u>			<u>123,785</u>
Total assets less current liabilities	<u><u>2,488,514</u></u>			<u><u>2,488,514</u></u>
Equity				
Share capital	—		131,092	131,092
Reserves	(51,659)	51,659	760,888	760,888
	<u>(51,659)</u>			<u>891,980</u>
Non-current liabilities				
Bank loans	1,596,534			1,596,534
Amount due to holding company	943,639	(51,659)	(891,980)	—
	<u>2,540,173</u>			<u>1,596,534</u>
	<u><u>2,488,514</u></u>			<u><u>2,488,514</u></u>

Notes:

- The amounts have been extracted without adjustment from the financial information on the Inventive Group as set out in Appendix II to this composite offer document.
- The adjustment reflects the transfer of intragroup balances in which the intragroup amount due to Mexan Limited (the "Company") by members of the Inventive Group will be assigned to Inventive after taking into account the waiver of HK\$51,659,000 by the Company upon completion of the Group Reorganisation, deemed had been completed on 30 September 2006.
- The adjustment represents the capitalization of the remaining intragroup balances owed by Inventive to the Company by issuance of shares in Inventive, upon completion of the Group Reorganisation. Excesses of the remaining intragroup balances over the nominal value of shares are credited to share premium.
- The unaudited pro forma net asset value per share is approximately HK\$0.6804 which is based on the unaudited pro forma net asset value of the Inventive Group of HK\$891,980,000 as at 30 September 2006 and 1,310,925,944 ordinary shares deemed had been in issue as at that date.

COMFORT LETTER FROM HORWATH HONG KONG CPA LIMITED

Set out below is the text of the comfort letter on the unaudited pro forma assets and liabilities statement of the Inventive Group received from Horwath Hong Kong CPA Limited for incorporation in this Composite Offer Document:



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

16 April 2007

The Board of Directors
INVENTIVE LIMITED

Dear Sirs,

We report on the unaudited pro forma assets and liabilities statement of INVENTIVE LIMITED (“Inventive”) and its subsidiaries (hereinafter collectively referred to as the “Inventive Group”) set out on pages 80 to 81 under the heading of “Pro Forma Financial Information on the Inventive Group” (the “Unaudited Pro Forma Assets and Liabilities Statement”) in Appendix III to the composite offer document dated 16 April 2007 relating to voluntary unconditional cash offer by Somerley Limited on behalf of Mexan Group Limited to acquire all the shares in Inventive Limited (the “Composite Offer Document”). The Unaudited Pro Forma Assets and Liabilities Statement has been prepared by the directors of Inventive, for illustrative purposes only, to provide information about how the Group Reorganisation might have affected the assets and liabilities of the Inventive Group as if it had taken place on 30 September 2006.

Responsibilities

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

It is our responsibility to form an opinion, as required by the Listing Rules, on the Unaudited Pro Forma Assets and Liabilities Statement and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Assets and Liabilities Statements beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by HKICPA. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial formation with the source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Assets and Liabilities Statement with the directors of Inventive.

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

The Unaudited Pro Forma Assets and Liabilities Statement is for illustrative purposes only, based on the judgements and assumptions of the directors of Inventive, and because of its hypothetical nature, it does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Inventive Group as at 30 September 2006 or any future date.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Assets and Liabilities Statement has been properly compiled by the directors of Inventive on the basis stated;
- (b) such basis is consistent with the accounting policies of the Inventive Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Assets and Liabilities Statement as disclosed pursuant to Rule 4.29(1) of the Listing Rules.

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

Chan Kam Wing, Clement
Director
Practicing Certificate number P02038

Set out below is the text of the valuation report on Beilun Company as of 31 January 2007 received from BMI Appraisals Limited for incorporation in this Composite Offer Document:

BMI APPRAISALS

BMI Appraisals Limited 中和邦盟評估有限公司

Suite 11-18, 31/F., Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong
香港灣仔港灣道6-8號瑞安中心3111-18室
Tel 電話：(852) 2802 2191 Fax 傳真：(852) 2802 0863
Email 電郵：info@bmintelligence.com Website 網址：www.bmintelligence.com

16 April 2007

The Directors

INVENTIVE LIMITED

16th Floor
Bank of East Asia Harbour View Centre
55 Gloucester Road
Wanchai
Hong Kong

Dear Sirs

INSTRUCTIONS

We refer to the instructions from INVENTIVE LIMITED (hereinafter referred to as the “Company”) for us to provide our opinion on the market value of the 100 per cent equity interest in Ningbo Beilun Port Expressway Company Limited (hereinafter referred to as “Beilun Company”) as at 31 January 2007 (the “date of valuation”).

This report describes the company background of Beilun Company, identifies the business appraised, describes the basis of valuation and assumptions, explains the valuation methodology utilized and presents our conclusion of value.

PURPOSE OF VALUATION

We understand that the purpose of our valuation is to express an independent opinion on the market value of Beilun Company as at 31 January 2007 for your public documentation purposes only.

BASIS OF VALUATION

Our valuation was carried out on the basis of market value. Market value is defined as “*the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion*”.

Our valuation was prepared in accordance with the HKIS Valuation Standards on Trade-related Business Assets and Business Enterprises (First Edition 2004) published by the Hong Kong Institute of Surveyors (the “Standards”) which are valuation standards generally accepted and followed by professional practitioners in Hong Kong. The Standards contain detailed guidelines on the basis and valuation approaches in valuing assets used in the operation of a trade or business and business enterprises.

COMPANY BACKGROUND

Beilun Company was established on 25 July 2002 in the People’s Republic of China (the “PRC”).

A concession right has been granted to Beilun Company from Ningbo City People’s Government (the “Ningbo government”) to operate and collect tolls from the Ningbo Beilun Port Expressway (hereinafter referred to as the “Toll Road”) for a period of not less than 25 years from 1 January 2003.

THE TOLL ROAD

The Toll Road is divided into two sections. The main section running between Ningbo and Beilun Port, is approximately 40.00 km in length and from Ningbo to Jiangshan approximately 11.00 km in length. The Toll Road is built to a dual two-expressway standard with a restricted speed of 120 km per hour and was opened to traffic in December 1999.

Originating from the Beilun District of Ningbo at the east, the Toll Road forms the Ningbo section of the Tongsan National Highway. It extends to the west and intersects with the Ningbo end of the Hangzhou-Ningbo Expressway and the future Ningbo-Jinhua (Yongjin) Expressway, at which it turns southwards and extends to connect with the Ningbo-Taizhou-Wenzhou Expressway. The Toll Road is an important route that connects Beilun Port, a major natural deep water port in China, to the prosperous regions in Zhejiang including Hangzhou, Wenzhou and Taizhou.

SOURCE OF INFORMATION AND SCOPE OF WORKS

For the purpose of the valuation, we were furnished with the financial and the operational data of Beilun Company, which was given by the senior management of the Company and Beilun Company.

Those information we have obtained including, but not limited to, the following:

- Company background and future development of Beilun Company;
- Management accounts and audited financial statements of Beilun Company;
- Cash flow projection of 20 years from the management of Beilun Company;
- Traffic forecast report from Mannings (Asia) Consultants Limited (“Mannings”); and
- Other market and operational information affecting the business of Beilun Company.

The factors considered in the valuation included, but were not limited to, the following:

- The business nature of Beilun Company;
- The financial and operational information of Beilun Company;
- The terms and conditions of the contracts and the agreements in relation to the business of Beilun Company.
- The specific economic environment and competition for the market in which Beilun Company operates;
- Market-derived investment returns of entities engaged in similar lines of business; and
- The financial and business risks of Beilun Company.

In the course of this valuation, we have discussed with the senior management of the Company and Beilun Company regarding the history, operations and future development of Beilun Company. We have also reviewed the management accounts, audited financial statements, cash flow projection, traffic forecast report and other relevant documents that were furnished to us by the senior management of the Company and Beilun Company.

VALUATION ASSUMPTIONS AND CONSIDERATIONS

Due to the changing environment in which Beilun Company is operating, a number of assumptions had to be established in order to sufficiently support our concluded opinion of the value of Beilun Company. The major assumptions and considerations adopted in our valuation were:

- 1) There will be no major changes in the existing political, legal, and economic conditions in the PRC;
- 2) There will be no major changes in the current taxation laws in the PRC and that all applicable laws and regulations will be complied with;
- 3) Availability of capital and sources of funding will not be a constraint to the business operation of Beilun Company;
- 4) The loan interest rate adopted in our valuation was approximately 6.5%. Having considered the historical decrease in loan interest rate in the PRC, we consider that it was prudent to assume the interest rate will not differ materially from the prevailing interest rate;
- 5) Loan repayment will be made according to the loan repayment schedule as contained in the loan agreement provided by the senior management of Beilun Company in the cash flow projection;
- 6) There will be no change in the operating environment for the Toll Road;

- 7) Subsequent increment in the toll charges as provided by the senior management of Beilun Company in the cash flow projection will be approved by the government or related authorities;
- 8) The toll road cash receipt was calculated according to the pcu forecast of the traffic forecast report which states that the traffic volume can reach 48,248 pcu/day by 2007 and saturate at 85,000 pcu/day from 2016 awards;
- 9) The traffic volume growth will not deviate significantly from the growth forecasted in the traffic forecast report and no natural disaster is expected to occur that will have significant impact on the economy and the traffic volume in Ningbo;
- 10) The toll road right will last at least 20 years until 31 December 2027;
- 11) Economic conditions of the PRC will not deviate significantly from economic forecasts;
- 12) All money amounts stated herein are in Hong Kong Dollars (HK\$) and no allowance has been made for any exchange transfers. The exchange rate adopted is the average rate as at 31 January 2007 being HK\$1=RMB0.9957. There has been no significant fluctuation in the exchange rate in the future; and
- 13) Exchange rates will not differ materially from those presently prevailing.

The traffic forecast review study was undertaken by an experienced civil engineer who is specialized in highways and transportation study. The review study was conducted to evaluate the reliability of the previous traffic forecast study on the tolled expressway in 2004 and subsequent review study in 2005. Mannings had conducted a 24-hours traffic flow survey to determine the vehicle composition traveling along the tolled expressway. In the traffic forecast model, various factors such as economic growth rate in the Zhejiang Province, percentage of heavy goods vehicles, toll charge rates, condition of carriageway, drivers' behaviors, etc. that will affect the traffic growth were taken into consideration. Based on the review results, the original traffic forecast model was updated using the actual traffic flow figures in 2006 as a base and incorporated the effect of toll charge introduced to the container trucks was incorporated.

VALUATION METHODOLOGY

Three generally accepted valuation methodologies have been considered in valuing the 100 per cent equity interest of Beilun Company. They were the market approach, the cost approach and the income approach.

Regarding the cost approach, we considered that it could not reflect the market value of Beilun Company as this approach does not take into account the future growth potential of Beilun Company.

Due to the inherent and unique characteristics of the Toll Road, market transactions of toll road projects at different locations can vary significantly due to various physical, market and economic factors. Therefore, we considered that the market approach was also not appropriate to value Beilun Company.

In view of the above, we considered that the income approach by way of discounted cash flow method was the most appropriate method in determining the value of Beilun Company because it was able to capture future growth potential which is specific to the Toll Road held by Beilun Company.

We considered that the income approach is the most appropriate valuation approach for valuing Beilun Company. In valuing the 100 per cent equity interest in Beilun Company, we applied the income approach also known as discounted cash flow method. We determined the future economic benefits

of Beilun Company by using the discounted value of the future cash flows which were furnished by the senior management of Beilun Company in the forecast period (from 1 January 2007 to 31 December 2027).

When determining the discount rate to apply to the future economic income streams attributable to the shareholders, the discount rate is the cost of equity. The cost of equity was determined by using the Capital Asset Pricing Model ("CAPM"). CAPM states that an investor requires excess returns to compensate systematic risks and provides no excess return for other risks. Risks that are correlated with the return from the stock market are referred to as systematic; other risks are referred to as nonsystematic. Under CAPM, the appropriate rate of return required by investors to compensate for the systematic risk assumed is the sum of the risk-free return and the product of the beta and equity risk premium. In addition, the rate of return of Beilun Company is affected by other firm specific risk factors that are independent of the general market. The discount rate stated at approximately 13.22% was determined by reference to a risk-free rate of approximately 3.06% (10 Years China government bond interest rate), market return and estimated beta of Beilun Company and firm specific risk factors.

Four factors used in determining the discount rate include risk-free rate, market premium, estimated beta and firm specific risks. The risk-free rate adopted is the 10 years China government bond yield of approximately 3.06%; whereas the market premium is defined to be the difference between the average return on stocks and the average return on risk-free security in the measurement period. The estimated beta of approximately 0.75 for Beilun Company was derived from average betas of the various public listed toll road companies in Hong Kong including Sichuan Expressway Company Limited, Jiangsu Expressway Company Limited, Shenzhen Expressway Company Limited, Zhejiang Expressway Company Limited, Hopewell Highway Infrastructure Limited, Anhui Expressway Company Limited, GZI Transport Limited and Road King Infrastructure Limited. The firm specific risk factors mainly comprise liquidity and operation constraints due to quality issue of Beilun Company.

REMARKS

We have assumed that the information obtained from the senior management of Beilun Company including the financial and operation information is true and accurate for which we are unable to accept any responsibilities.

We have had no reason to doubt the truth and accuracy of the information provided to us by Beilun Company. We also sought and received confirmation from Beilun Company that no material facts have been omitted from the information supplied.

SENSITIVITY ANALYSIS

A sensitivity analysis based on various discount rates has been performed and is set out as follows:

DCF Valuation Discount rate	100% interest In RMB million	100% interest In HK\$ million
12.22%	905	909
12.72%	864	868
13.22%	826	830
13.72%	790	794
14.22%	757	760

CONCLUSION OF VALUE

Our conclusion of value is based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of a lot of uncertainties, not all of which can be easily ascertained or quantified.

Further, whilst the assumptions and consideration of such matters are considered by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies such as stock market crash, political unrest and natural disasters, many of which are beyond the control of the Company, Beilun Company or us.

Based on our investigation and analysis outlined in this letter, with reference to the discount rate of 13.22% derived from the CAPM, it is our opinion that the market value of the 100 per cent equity interest in Beilun Company as at 31 January 2007 is **HK\$830,000,000 (Hong Kong Dollars Eight Hundred and Thirty Million) Only.**

We hereby certify that we have neither present nor prospective interest in the Company, Beilun Company or the value reported.

Yours faithfully

For and on behalf of

BMI APPRAISALS LIMITED

Marco T.C. Sze

B.Eng(Hon) MBA(Acct), CFA

Senior Manager

Dr. Tony Cheng

*BSc, MUD, MBA(Finance), MSc(Eng), PhD(Econ),
MHKIS, MCI Arb, AFA, SIFM, FCIM, MASCE,
MIET, MIEEE, MASME, MIE*

Director

Lowell W.W. Lo

BBA(Hons) MSc(NJIT) CPA AICPA SIFM

Director

Notes:

- 1. Mr. Marco Sze holds a Master's Degree of Business Administration in Accountancy from the City University of New York - Baruch College, the US, and is a holder of Chartered Financial Analyst. He has about 3 years' experience in valuing businesses and over 2 years' experience in valuing toll roads in Hong Kong, China and the Asia-Pacific Region.*
- 2. Dr. Tony Cheng is a member of the Hong Kong Institute of Surveyors, a member of the American Society of Civil Engineers, a member of the American Society of Mechanical Engineers and a member of Institute of Industrial Engineers (U.K.). He has over 11 years' experience in valuing businesses and over 6 years' experience in valuing toll roads worldwide.*
- 3. Mr. Lowell Lo is a practicing member of the Hong Kong Institute of Certified Public Accountants, a member of the American Institute of Certified Public Accountants. He has over 5 years' experience in valuing businesses and over 4 years' experience in valuing toll roads in Hong Kong, Macao, China and various locations in the Asia-Pacific Region.*

COMFORT LETTER FROM HORWATH HONG KONG CPA LIMITED

Set out below is the text of the comfort letter on the cash projection of Beilun Company which forms part of the basis of valuation thereof performed by BMI Appraisals Limited received from Horwath Hong Kong CPA Limited for incorporation in this Composite Offer Document:



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

16 April 2007

The Directors
INVENTIVE LIMITED
16/F., Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

Dear Sirs

We refer to the valuation dated 16 April 2007 prepared by BMI Appraisals Limited (the “Valuer”) in respect of the 100% equity interest in Ningbo Beilun Port Expressway Company Limited (the “Valuation”) set out in Appendix IV of the composite offer document jointly issued by Mexan Group Limited and Inventive Limited (“Inventive”) dated 16 April 2007 (the “Composite Offer Document”).

The Valuation including the bases and assumptions, as set out in the valuation report on pages 84 to 89 of the Composite Offer Document, for which the directors of Inventive and the Valuer are solely responsible, has been prepared based on the cash flow projection of Beilun Company for the period from 1 January 2007 to 31 December 2027 made by the directors of Inventive (the “Projection”). The Projection, being a projection of future cash flows, does not involve the adoption of accounting policies and accordingly, there are no accounting policies for us to report on. The Projection has been prepared using a set of assumptions that include hypothetical assumptions about future events and other assumptions that may or may not necessarily be expected to occur. Consequently, readers are cautioned that the Projection may not be appropriate for purposes other than for deriving the Valuation of Beilun Company as at 31 January 2007. Even if the events anticipated under the hypothetical assumptions occur, actual results are still likely to be different from the Projection since the other anticipated events frequently may or may not occur as expected and the valuation may be material.

We conducted our work in accordance with Hong Kong Standard on Assurance Engagements 3000 “Assurance engagements other than audits or reviews of historical financial information” with reference to the procedures under Auditing Guideline 3.341 “Accountants’ report on profit forecasts” issued by the Hong Kong Institute of Certified Public Accountants. We examined the arithmetical accuracy of the Projection. Our work has been undertaken solely to assist the directors of Inventive in evaluating whether the Projection, so far as the calculations are concerned, have been properly compiled in accordance with the bases and assumptions made by the directors of Inventive and adopted by the Valuer. Our work does not constitute any valuation of Ningbo Beilun Port Expressway Company Limited (“Beilun Company”).

As set out in the paragraph headed “Valuation Assumptions and Considerations” on pages 86 to 87 of the Composite Offer Document, the Projection has been prepared based on a number of assumptions in respect of which we have the reservations:

1. The Valuations are prepared on the assumptions that the external environment in which the toll road industry in the People’s Republic of China (“PRC”) will operate over a period of 21 years up to 31 December 2027 will not change as set out in Points 1, 2, 11 and 13 of the assumptions. Given the inherent uncertainties of the future economic development in the PRC and the potential impact of change in government’s policy on the toll road industry, we were unable to obtain sufficient appropriate evidence to evaluate or express any opinion on the appropriateness of the assumptions made.
2. The Valuations are prepared on the assumptions that the cash flow model adopted by Beilun Company in its operation of the toll road in the PRC will continue to be applicable without modification over a period of 21 years up to 31 December 2027 as set out in Points 3, 4, 5, 6, 7, and 9 of the assumptions. Given the limited operational history of Beilun Company, the potential impact of the expected economic development in Ningbo region, the PRC on the demand for expressway and the potential impact of the government’s policy on toll charges, we were unable to obtain sufficient appropriate evidence to evaluate or express any opinion on the appropriateness of the assumptions made.

Because of the significance of the matters discussed above, we are unable to evaluate the appropriateness of the above assumptions used in arriving at the Projection.

Based on the work we have performed, in our opinion, the Projection, so far as the calculations are concerned, has been properly compiled in accordance with the bases and assumptions made by the directors of Inventive and adopted by the Valuer as set out in the valuation report of Beilun Company in Appendix IV to the Composite Offer Document.

Our work in connection with the Projection has been undertaken solely for the purpose of reporting our opinion to you and for no other purpose. We accept responsibility solely to the directors of Inventive. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

Yours faithfully,

For and on behalf of

Horwath Hong Kong CPA Limited

Certified Public Accountants

Hong Kong

Chan Kam Wing, Clement

Director

Practising Certificate number P02038

COMFORT LETTER FROM HERCULES CAPITAL LIMITED

Set out below is the text of the comfort letter on the cash projection of Beilun Company which forms part of the basis of valuation thereof performed by BMI Appraisals Limited received from Hercules for incorporation in this Composite Offer Document:

Hercules
Hercules Capital Limited

The Board of Directors
INVENTIVE LIMITED
16th Floor, Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

16 April 2007

Dear Sirs,

We refer to the valuation dated 16 April 2007 prepared by BMI Appraisals Limited (the “**Valuer**”) in relation to the appraisal of the market value (the “**Valuation**”) of 100% equity interest in Ningbo Beilun Port Expressway Company Limited (“**Beilun Company**”) as at 31 January 2007 contained in Appendix IV to the Composite Offer Document dated 16 April 2007 to the Inventive Shareholders (the “**Composite Offer Document**”), of which this letter forms part. Terms used in this letter have the same meanings as defined elsewhere in the Composite Offer Document unless the context otherwise requires.

We are satisfied that Mr. Marco T.C. Sze, Dr. Tony Cheng and Mr. Lowell W.W. Lo are qualified as valuers of Beilun Company on the basis of their past experiences on valuing toll roads in the PRC, and that the assumptions made by the Valuer in valuing Beilun Company are in compliance with the principles set out in Notes to Rule 10.2 of the Takeovers Code.

As stated in the valuation report, the Valuation has been arrived at based on the income approach, which is based on the cash flow projection of Beilun Company for the period from 1 January 2007 to 31 December 2027 prepared by the Inventive Directors (the “**Projection**”).

We have discussed with management of Inventive the bases and assumptions adopted in the preparation of the Projection. We have also considered the letter dated 16 April 2007 addressed to you from Horwath Hong Kong CPA Limited, the reporting accountants of Inventive, in relation to their review of the calculations and bases and assumptions upon which the Projection has been prepared.

Based on the foregoing, we are of the opinion that the Projection, for which you as the directors of Inventive are solely responsible, has been prepared after due and careful consideration.

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

Set out below is the text of the traffic forecast report on Ningbo Beilun Port Expressway received from Mannings (Asia) Consultants Ltd. for incorporation in this Composite Offer Document:

16 April 2007

INVENTIVE LIMITED
16/F, Bank of East Asia
Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

Our Ref: A1126_ITG_B00675

Dear Sirs

**Ningbo Beilun Port Expressway
Traffic Forecast Review Study**

Mannings (Asia) Consultants Ltd. (the “Consultant”) was appointed by INVENTIVE LIMITED (the “Company”) to carry out an independent traffic forecast review for the Ningbo Beilun Port Expressway.

All reasonable and professional skill, care and due diligence has been exercised in preparing in Traffic Forecast Review Study Report. A summary of the findings of this report is set out below:

1.0 INTRODUCTION

1.1 Introduction

There were two independent traffic forecast studies (the “Expressway”) commissioned by INVENTIVE LIMITED (the “Company”) for the Ningbo Beilun Port Expressway that links between Ningbo, Jiangshan and Beilun Port in the People’s Republic of China (the “PRC”) in May 2004 and June 2005 respectively. Subsequently two separate traffic forecast reports were published.

In order to ensure the integrity of the traffic forecasting model and subsequent to provide the latest traffic forecasting figures for the Expressway, the Consultant was appointed in November 2006 by the Company to carry out an independent traffic forecast review for the Ningbo Beilun Port Expressway.

The Expressway was built to an elevated dual two expressway standard with a design speed of 120 km per hour. There are three exits and entrances along the Expressway, namely: Beilun Port, Ningbo East, and Jiangshan. The toll system for the Expressway is a closed system with fixed toll rates for different vehicle categories.

There were changes in terms of toll rates particular for the container and other factors among the previous traffic forecast study and that of the 2006 traffic forecast review study, which had affected the results of the traffic forecast.

This report will look into the abovementioned factors and summarize their overall impacts so as to prepare independent forecasts of traffic volume for the Expressway. In order to assist the Company to undertake more reliable future revenue forecast during the franchising period, all reasonable and professional skill, care and diligence have been exercised in the compilation of this report.

1.2 Study Objectives

The objectives and scope of the consultancy services were as follows:

- Gathering most updated traffic data on the Expressway and the nearby road network. The current economic and traffic situations together with the future development plan for Ningbo is to be collected.
- Conducting traffic surveys to establish the most recent traffic conditions.
- Reviewing the existing traffic conditions and compare with the forecasted figures from the previous traffic forecast study.
- Identifying any factors that may affect the reliability of the traffic forecast and evaluate the effects on the forecasted figures.
- Preparing the adjusted traffic forecasts for years 2010, 2015, 2020, 2025 and 2027 for the Expressway.
- Preparing the 'best estimate' of annual traffic forecasts from 2006 to 2027 for the Expressway. The forecasts of traffic volumes for intermediate years will be derived by interpolation.

It should be emphasized that the Scope of Works does not cover the technical audit of the design standard, construction specifications and quality of the completed works for the Expressway. Therefore, it has been assumed that the current construction has been designed and constructed to the appropriate National Standard, which are acceptable by the approving authorities.

Again, all reasonable and professional skill, care and diligence have been exercised in preparing the report on the work carried out and on the results.

2.0 TRAFFIC AND TRANSPORT PERSPECTIVE

2.1 The Toll Structure

The Ningbo Beilun Port Expressway is charged on fixed toll rates. The existing toll structure operating on the Expressway is presented in Table 2.1.

Table 2.1 Toll Structure on the Ningbo Beilun Port Expressway

Category	Vehicle Type	Definition	Per Vehicle <i>RMB</i>	Per Km <i>RMB</i>
1	Small Private Vehicle & Small Goods Vehicle	≤ 20 seats ≤ 2 tonnes	5	0.4
2	Medium Private Vehicle & Medium Goods Vehicle	> 20 but ≤ 40 seats > 2 tonnes but ≤ 5 tonnes	10	0.8
3	Large Private Vehicle & Large Goods Vehicle	> 40 seats > 5 tonnes but ≤ 10 tonnes	15	1.2
4	Very Large Goods Vehicle	> 10 tonnes but ≤ 15 tonnes	15	1.4
5	Special Large Goods Vehicle 1	> 15 tonnes but ≤ 60 tonnes	20	1.6
6	Special Large Goods Vehicle 2	20Ft Container	15 x 70% x 50%	1.2 x Distance x 70% x 50%
7	Special Large Goods Vehicle 3	40Ft Container	20 x 70% x 50%	1.6 x Distance x 70% x 50%

2.2 Historical Traffic Growth

Historical Annual Average Daily Traffic (AADT) on the Expressway between 1999 and 2006 were collected for the study area. The data were recorded for one 24-hour period among the Expressway toll plazas.

The historical AADT traffic volume derived by amalgamating the traffic counts collected from the toll plazas were given in Table 2.2.

Table 2.2 Historical Annual Average Daily Traffic (AADT) — Two Way

Year	AADT(Vehicles)
1999	1,220
2000	3,926
2001	5,373
2002	12,510
2003	17,956
2004	22,614
2005	23,588
2006	27,815

2.3 Existing Traffic Situation

Traffic surveys were carried out in 22 November 2006 to examine the vehicle composition on the Ningbo Beilun Port Expressway. The surveys took the form of manual classified count at three toll plazas using the toll categories as shown in Table 2.3.

The annual average daily traffic volume on the Ningbo Beilun Port Expressway for future traffic forecasts were based on the survey result on each toll stations. These recorded vehicle composition and classified traffic data based on the toll categories are summarised in Table 2.3.

Table 2.3 Vehicle Composition

Category	Vehicle Type	Definition	Locations		
			Ningbo	Beilun Port	Jiangshan
1	Small Private Vehicle & Small Goods Vehicle	≤ 20 seats ≤ 2 tonnes	75.1	66.9	69.2
2	Medium Private Vehicle & Medium Goods Vehicle	> 20 but ≤ 40 seats > 2 tonnes but ≤ 5 tonnes	3.9	4.8	8.1
3	Large Private Vehicle & Large Goods Vehicle	> 40 seats > 5 tonnes but ≤ 10 tonnes	2.8	3.7	6.8
4	Very Large Goods Vehicle	> 10 tonnes but ≤ 15 tonnes	0.3	0.5	3.0
5	Special Large Goods Vehicle 1	> 15 tonnes but ≤ 60 tonnes	7.2	6.4	12.9
6	Special Large Goods Vehicle 2	20Ft Container	0.4	0.2	—
7	Special Large Goods Vehicle 3	40Ft Container	10.3	17.5	—
Total			100%	100%	100%

3.0 MODEL VALIDATION

3.1 Observed Traffic Volume in 2006

In order to determine the goodness of fit of the model developed previously, the modelled traffic flow for 2006 has been compared to the observed traffic volume for the year 2006 on the Expressway that is currently available and they were provided from the toll stations.

All goods vehicles and all passenger vehicles were aggregated into a single user class for the purpose of traffic modelling. Therefore it was necessary to convert the observed flows into a single user class for the purpose of validation.

The modelled and observed counts for 2006 are summarised in Table 3.1 together with the percentage differences.

Table 3.1 Comparison of 2006 Observed and Modelled Flows

	2006		Modelled/ Observed
	Modelled	Observed	
Beilun Port	19,526	17,606	1.109
Ningbo East	20,405	19,099	1.068
Jiangshan	8,431	7,167	1.176
Total	48,362	43,872	1.102

From Table 3.1, it can be seen that the modeled flow is around 10.2% above the observed flows. This discrepancy is mainly due to the introduction of toll charges on container trucks in 2005. The recovery rate of container trucks on the tolled expressway was not as good as that modeled. Otherwise, the model is considered to be satisfactory for the purpose of this study. Therefore, the traffic forecasting model would be updated using 2006 traffic figures as the base year.

3.2 Traffic Forecasts

Road Surface Improvement

Furthermore, information provided by the management has also shown that there was a highway improvement scheme commenced in October 2004 and completed in February 2005. The scheme was mainly to upgrade the road surface condition of the Expressway in order to improve the riding comfort, speed and road safety for the motorists. Such improvement would surely improve the capacity of the Expressway.

Other Factors Affecting Traffic Forecast Results

In addition to the road improvement scheme that was undertaken in October 2004, there are also other factors that would affect the traffic forecast results, which had been observed during the traffic survey and from other sources. Because of these factors, the parameters in the traffic forecasting model would require adjustment. These factors can be summarized below.

3.2.1 Change of Toll Fee Structure

The toll fee structures for Categories 4 and 5 vehicles were changed in April 2005. It is observed that there was a slight reduction in toll revenue for these two categories of vehicle. The figures shown in Table 2.1 above have taken this factor into consideration.

3.2.2 Commencement on Charges to Container Trucks

A new toll was introduced for container vehicles on 15 April 2005. The initial impact of such new toll introduction was expected. Many of the container vehicles would first leave the Expressway and join the local roads instead. As soon as the time-cost factor became intolerable by the motorists or the local road network to the port reaches its capacity, container vehicles would return to the Expressway. Again, the consequences can be reflected in the monthly revenue report from the toll station. Similarly, the figures shown in Table 2.1 above have reflected the most updated toll structure.

3.2.3 Economic Growth

Economic factors such as the Gross Domestic Product (GDP) in Zhejiang Province were higher than predicted. Despite the Central Government having imposed a stringent monetary policy to damp down the overhead economy, Ningbo managed to enjoy healthy and steady growth of the economy. The Beilun Port operator managed to attract overseas investor so participate in Beilun Port operation.

As the past and current trends in the area are very close to our traffic forecast model, it is considered that the traffic growth elasticities for future years established in the original traffic forecast model could still be adopted. The estimated future GDP growth rates, traffic growth elasticities, and the annual traffic growth rate are presented in Table 3.2.

Table 3.2 Forecast Traffic Growth Rates in the Study Area

Year	Estimated GDP Growth Rates	Traffic Growth Elasticity	Annual Traffic Growth Rate
2007-2010	10.5%	0.95	10.0%
2011-2020	8.00%	0.75	6.00%
2021-2027	6.00%	0.50	3.00%

3.2.4 Increase in Road Capacity

From the site visit in July 2005 after the road improvement scheme was completed in February 2005, the riding comfort, speed and safety on the Expressway were substantially improved when compared to May 2004. The road improvement scheme upgraded the standard of the Expressway hence the speed and the riding comfort. Therefore, it is necessary to revise the road capacity of the Expressway in order to reflect the road conditions. As a result, a road capacity of 85,000pcu/day has been adopted in the revised traffic forecast model in 2005.

Based on the visit in November 2006, the road conditions started to deteriorate and maintenance works were observed at various locations. However, the overall driving comfort could still be achieved. Therefore, road capacity of 85,000pcu/day will still be valid for the most updated traffic forecast model. The following tables (Table 3.3. and 3.4) are the summary of the results of the road capacity calculations for the updated traffic forecasts.

Table 3.3 Road Capacity of Expressway for Previous Traffic Forecast (2005)

Parameter	CB	V/C	FW	FP	PHV	fp	N	Directional	Capacity (pcu/day)
								Flow Factor	
Ningbo East	2000	0.90	1.0	1	0.249	0.08	2	0.55	86,724
Beilun Port	2000	0.90	1.0	1	0.290	0.08	2	0.55	87,104
Jiangshan	1800	0.84	1.0	1	0.169	0.08	2	0.55	80,583

Table 3.4 Road Capacity of Expressway for Updated Traffic Forecast (2006)

Parameter	CB	V/C	FW	FP	PHV	fp	N	Directional	Capacity (pcu/day)
								Flow Factor	
Ningbo East	2000	0.90	1.0	1	0.254	0.08	2	0.55	86,892
Beilun Port	2000	0.90	1.0	1	0.345	0.08	2	0.55	86,310
Jiangshan	1800	0.84	1.0	1	0.311	0.08	2	0.55	77,870

Estimation of Daily Capacity

Levels of service of highways are defined in the Highway Capacity Manual of the Transportation Research Board of the United States of America, which is commonly used in the PRC. Levels of service refer to the traffic flow conditions on roads and are used in the definition of highway capacity. For each level of service a different capacity may be defined, signifying the maximum capacity at which that given level of service may be maintained. The levels of service, from A to F are defined in Table 3.5.

Given that twenty-four hour modelling is performed, the capacity calculated for a specified level of service denotes the number of vehicles per day assuming that average traffic flow during the day is maintained at the specified level of service. This implies that during peak hours drivers tolerate a lower level of service, whilst during off peak hours traffic flow is generally maintained at a higher level of service. Moreover, the data collected are based on the number of vehicles travelling along Expressway. For easy comparison purposes, the figures are then converted to equivalent passenger car unit (“pcu”) in the forecasting model. Pcu stands for

Passenger Car Unit, the equivalent traffic values of various types of vehicles in relation to passenger cars on the road. And the results of the traffic forecast are presented in pcu/day so that it can be compared with the capacity analysis.

Table 3.5 Level of Service Definitions

Level of Service	Definition
Level of Service A	Free traffic flow; drivers are not affected by other drivers and enjoy a high degree of freedom in the choice of travelling speeds and manoeuvres.
Level of Service B	Stable traffic flow; drivers maintain a relatively high degree of freedom in the choice of travelling speeds and manoeuvres whilst being required to be aware of other drivers.
Level of Service C	Stable traffic flow; although drivers are required to be more alert and are restricted in the choice of travelling speeds and manoeuvres.
Level of Service D	Dense but stable traffic flow; relatively greater restrictions on the choice of travelling speeds and manoeuvres.
Level of Service E	Generally unstable traffic flow; operations close to maximum capacity, travelling speeds significantly reduced and manoeuvres highly restricted.
Level of Service F	Operations beyond maximum capacity; congested traffic flow and periodic halts.

It has been assumed that level of service D is applicable to Expressway and that level of service E is applicable to the Old Road.

Based on available 2005 traffic data on peak hour flows and 24-hour daily flows collected, the peak hour factor is taken to be 0.08 with the directional flow factor estimated to be 0.55.

The formula for calculating the capacity is given as follows:

$$C_D = C_B \cdot \left(\frac{V}{C}\right) \cdot N \cdot F_W \cdot F_P \cdot F_{HV}$$

where,

C_D	Design capacity by direction (veh/hr)
C_B	Basic capacity, i.e. the maximum traffic flow of a carriageway in an hour under free flow condition, unit: passenger car unit/hour/lane (pcu/hr/lane).
V/C	The ratio of traffic flow to maximum capacity
N	Number of lanes in one direction. N is 2 for all sections.
F_p	Correction factor for drivers, taken to be 1 for all sections.
F_w	Correction factor for effect of road width and strip width on capacity, taken to be 1 for all sections
F_{HV}	Correction factor for the effect of large vehicles on capacity. The formula for Calculating FHV is given as follows:

$$F_{HV} = \frac{1}{1 + P_{HV}(E_{HV} - 1)}$$

P_{HV}	Proportion of large vehicles in the traffic flow
E_{HV}	Factor converting large vehicles to small passenger vehicles, taken to be 1.7 for all sections
C	Daily Capacity, given by the equation:
	$C = \frac{C_D}{f_p \cdot f_D}$
f_p	Peak Hour Factor
f_D	Directional Flow Factor

3.3 Review of Future Traffic Forecast

As illustrated in the review result of 2006 traffic flow volume, the traffic forecast has very closely predicted the traffic flow volume in 2006. However, changes on external factors that will affect the traffic forecast model have been identified in the above section. Therefore, the traffic forecast model would be re-run based on the 2006 actual traffic flow volume and latest traffic survey results with the adjusted parameters. The original and revised traffic forecasts after the review are presented below in Tables 3.6 and 3.7 and the traffic forecast in 2014 and 2016 are added for easy reference when the road capacity is reached.

Table 3.6 Previous Traffic Forecasts (2005) on the Expressway after Capacity Restraint
Forecast AADT Two Way Flows for the Expressway (pcu/day)

	2005*	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016-2027
Beilun Port	16,117	18,821	21,425	23,514	25,810	28,335	29,896	31,544	33,284	34,294	34,294	34,294
Ningbo East	17,355	20,405	22,383	24,557	26,948	29,576	31,202	32,918	34,730	35,817	35,817	35,817
Jiang Shan	7,139	8,431	9,268	10,188	11,200	12,313	13,001	13,726	14,493	14,889	14,889	14,889
Total	41,092	48,362	53,076	58,259	63,958	70,224	74,098	78,188	82,507	85,000	85,000	85,000

Note: * estimated figure for the year since part of the year's date had been collected

Table 3.7 Updated Traffic Forecasts (2006) on the Expressway after Capacity Restraint
Forecast AADT Two Way Flows for the Expressway (pcu/day)

	2005#	2006#	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016-2027
Beilun Port	14,815	17,606	19,362	21,236	23,296	25,561	26,961	28,440	30,002	31,651	33,391	34,067
Ningbo East	15,855	19,099	21,004	23,029	25,256	27,704	29,219	30,818	32,506	34,288	36,170	36,929
Jiang Shan	6,561	7,167	7,882	8,662	9,520	10,463	11,046	11,661	12,310	12,996	13,721	14,004
Total	37,231	43,872	48,248	52,927	58,072	63,728	67,226	70,919	74,818	78,935	83,282	85,000

Note: # Actual value and it is very much affected by the introduction of toll for the container trucks

4.0 CONCLUSION

Throughout the review study, the comparison between the modeled traffic flow and the observed traffic flow for 2006 were largely in line with the forecasting model. Again, this traffic review study has shown that the traffic forecasting model for the expressway has been successfully set up to predict the traffic flow in future years. As the observed traffic flow in 2006 are now available, it is therefore worthwhile to update the base year of the traffic forecast from to 2006, in order to maintain in traffic forecast with the latest available information readily for future analyses.

The changes during the past twelve months would affect the parameters used in the previous traffic forecasting model. As described in previous sections, the effects of these factors were evaluated and the changes to the parameters were adjusted and input into the traffic forecasting model. The most significant affecting factor was the introduction of tolls for container trucks. This reduced the estimated growth of container trucks and hence total growth in traffic flow volume for future years. However, the effect had been reflected in the updated traffic forecasting model.

The results of the updated traffic forecasting model have indicated that the overall annual growth of traffic flow volume would be slightly less but it does not vary significantly from the previous traffic forecast.

Nevertheless the updated traffic forecasting modeling carried out in 2005 was shown to be a successful one. The process of updating the traffic forecast model was to review any potential changes during the past months and subsequently undertaken the amendments to ensure that the forecasting results are based on the latest available information.

Yours faithfully

For and on behalf of Mannings (Asia) Consultants Ltd.

Mark Cheung
Project Director

KTC/NS/sc

Mr. Mark Cheung is a member of various Engineer Institutes and he has over 20 years of experience in civil engineering industry, particularly in highways engineering field. He has also been the Chairman of Institute of Highways and Transportation, Hong Kong Branch in 2002 - 2003. He was also the Project Director for the Traffic Forecast Study for Ningbo Beilun Port Expressway in 2004 and Yongjin Expressway in 2006.

*Set out below is a summary of certain provisions of the memorandum of association (the “**Memorandum of Association**”) and the bye-laws (the “**Bye-laws**”) of Inventive (referred to as the “**Company**” in this appendix) and of certain aspects of Bermuda company law:*

1. MEMORANDUM OF ASSOCIATION

The Memorandum of Association states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the Company is an exempted company as defined in the Companies Act. The Memorandum of Association also sets out the objects for which the Company was formed which are unrestricted and that the Company has the capacity, rights, powers and privileges of a natural person. As an exempted company, the Company will be carrying on business outside Bermuda from a place of business within Bermuda.

In accordance with and subject to section 42A of the Companies Act, the Memorandum of Association empowers the Company to purchase its own shares and pursuant to its Bye-laws, this power is exercisable by the board of Directors (the “board”) upon such terms and subject to such conditions as it thinks fit.

2. BYE-LAWS

The Bye-laws were adopted on 12 April 2007. The following is a summary of certain provisions of the Bye-laws:

(a) Directors

(i) Power to allot and issue shares and warrants

Subject to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Act, any preference shares may be issued or converted into shares that are liable to be redeemed, at a determinable date or at the option of the Company or, if so authorised by the Memorandum of Association, at the option of the holder, on such terms and in such manner as the Company before the issue or conversion may by ordinary resolution determine. The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Act, the Bye-laws, any direction that may be given by the Company in general meeting and, where applicable, the rules of any Designated Stock Exchange (as defined in the Bye-laws) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) *Power to dispose of the assets of the Company or any of its subsidiaries*

There are no specific provisions in the Bye-laws relating to the disposal of the assets of the Company or any of its subsidiaries.

Note: The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Bye-laws or the Companies Act to be exercised or done by the Company in general meeting.

(iii) *Compensation or payments for loss of office*

Payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) *Loans and provision of security for loans to Directors*

There are no provisions in the Bye-laws relating to the making of loans to Directors. However, the Companies Act contains restrictions on companies making loans or providing security for loans to their directors, the relevant provisions of which are summarised in the paragraph headed “Bermuda Company Law” in this appendix.

(v) *Financial assistance to purchase shares of the Company*

Neither the Company nor any of its subsidiaries shall directly or indirectly give financial assistance to a person who is acquiring or proposing to acquire shares in the Company for the purpose of that acquisition whether before or at the same time as the acquisition takes place or afterwards, provided that the Bye-laws shall not prohibit transactions permitted under the Companies Act.

(vi) *Disclosure of interests in contracts with the Company or any of its subsidiaries*

A Director may hold any other office or place of profit with the Company (except that of auditor of the Company) in conjunction with his office of Director for such period and, subject to the Companies Act, upon such terms as the board may determine, and may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Bye-laws. A Director may be or become a director or other officer of, or a member of, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Bye-laws, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Act and to the Bye-laws, no Director or proposed or intending Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested but this prohibition shall not apply to any of the following matters, namely:

- (a) any contract or arrangement for giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (b) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (c) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (d) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company;
- (e) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder or in which the Director and any of his associates are not in aggregate beneficially interested in 5 percent. or more of the issued shares or of the voting rights of any class of shares of such company (or of any third company through which his interest or that of any of his associates is derived); or
- (f) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vii) Remuneration

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such remuneration (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably incurred or expected to be incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration provided for by or pursuant to any other Bye-law. A Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependants or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependants, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependants are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(viii) Retirement, appointment and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Note: There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or, subject to authorisation by the members in general meeting, as an addition to the existing board but so that the number of Directors so appointed shall not exceed any maximum number determined from time to time by the members in general meeting. Any Director so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at the meeting. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) provided that the notice of any such meeting convened for the purpose of removing a Director shall contain a statement of the intention to do so and be served on such Director 14 days before the meeting and, at such meeting, such Director shall be entitled to be heard on the motion for his removal. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors unless otherwise determined from time to time by members of the Company.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period (subject to their continuance as Directors) and upon such terms as the board may determine and the board may revoke or terminate any of such appointments (but without prejudice to any claim for damages that such Director may have against the Company or vice versa). The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ix) *Borrowing powers*

The board may from time to time at its discretion exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Act, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Bye-laws in general, can be varied with the sanction of a special resolution of the Company.

(b) Alterations to constitutional documents

The Bye-laws may be rescinded, altered or amended by a resolution of the Directors and confirmation by a special resolution of the members. The Bye-laws state that a special resolution shall be required to alter the provisions of the Memorandum of Association, to confirm any such rescission, alteration or amendment to the Bye-laws or to change the name of the Company.

(c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Act:

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;

- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares as the directors may determine;
- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association;
- (v) change the currency denomination of its share capital;
- (vi) make provision for the issue and allotment of shares which do not carry any voting rights; and
- (vii) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may, by special resolution, subject to any confirmation or consent required by law, reduce its authorised or issued share capital or, save for the use of share premium as expressly permitted by the Companies Act, any share premium account or other undistributable reserve.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Act, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Bye-laws relating to general meetings will mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons (or in the case of a member being a corporation, its duly authorised representative) holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person (or in the case of a member being a corporation, its duly authorised representative) or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

(e) Special resolution-majority required

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than 21 clear days' notice, specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that, except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which less than 21 clear days' notice has been given.

(f) Voting rights (generally and on a poll) and rights to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Bye-laws, at any general meeting on a show of hands, every member who is present in person (or being a corporation, is present by its duly authorised representative) or by proxy shall have one vote and on a poll every member present in person or by proxy or, being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share.

Notwithstanding anything contained in the Bye-laws, where more than one proxy is appointed by a member which is a clearing house (as defined in the Bye-laws) (or its nominee(s)), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided on a show of hands unless voting by way of a poll is required by the rules of the Designated Stock Exchange (as defined in the Bye-laws) or (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded by (i) the chairman of the meeting or (ii) at least three members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy for the time being entitled to vote at the meeting or (iii) any member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting or (iv) a member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has

been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right or (v) if required by the rules of the Designated Stock Exchange, by any Director or Directors who, individually or collectively, hold proxies in respect of shares representing five per cent. (5%) or more of the total voting rights at such meeting.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares held by that clearing house (or its nominee(s)) in respect of the number and class of shares specified in the relevant authorisation including the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Bye-laws), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year other than the year in which its statutory meeting is convened at such time (within a period of not more than 15 months after the holding of the last preceding annual general meeting unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Bye-laws)) and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the provisions of the Companies Act or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or, subject to the Companies Act, at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right of inspecting any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting.

Subject to the Companies Act, a printed copy of the Directors' report, accompanied by the balance sheet and profit and loss account, including every document required by law to be annexed thereto, made up to the end of the applicable financial year and containing a summary of the assets and liabilities of the Company under convenient heads and a statement of income and expenditure, together with a copy of the auditors' report, shall be sent to each person entitled thereto at least 21 days before the date of the general meeting and at the same time as the notice of annual general meeting and laid before the Company in general meeting in accordance with the requirements of the Companies Act provided that this provision shall not require a copy of those documents to be sent to any person whose address the Company is not aware of or to more than one of the joint holders of any shares or debentures; however, to the extent permitted by and subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Bye-laws), the Company may send to such persons a summary financial statement derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to a summary financial statement, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Subject to the Companies Act, at the annual general meeting or at a subsequent special general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the members appoint another auditor. Such auditor may be a member but no Director or officer or employee of the Company shall, during his continuance in office, be eligible to act as an auditor of the Company. The remuneration of the auditor shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than Bermuda. If the auditing standards of a country or jurisdiction other than Bermuda are used, the financial statements and the report of the auditor should disclose this fact and name such country and jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting and any special general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by at least 21 clear days' notice in writing, and any other special general meeting shall be called by at least 14 clear days' notice (in each case exclusive of the day on which the notice is given or deemed to be given and of the day for which it is given or on which it is to take effect). The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. The notice convening an annual general meeting shall specify the meeting as such.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in Bermuda or such other place in Bermuda at which the principal register is kept in accordance with the Companies Act.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Bye-laws) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in an appointed newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Bye-laws), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole 30 days in any year.

(k) Power for the Company to purchase its own shares

The Bye-laws supplement the Company's Memorandum of Association (which gives the Company the power to purchase its own shares) by providing that the power is exercisable by the board upon such terms and conditions as it thinks fit.

(l) Power for any subsidiary of the Company to own shares in the Company

There are no provisions in the Bye-laws relating to ownership of shares in the Company by a subsidiary.

(m) Dividends and other methods of distribution

Subject to the Companies Act, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board. The Company in general meeting may also make a distribution to its members out of contributed surplus (as ascertained in accordance with the Companies Act). No dividend shall be paid or distribution made out of contributed surplus if to do so would render the Company unable to pay its liabilities as they become due or the realisable value of its assets would thereby become less than the aggregate of its liabilities and its issued share capital and share premium account.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to a member by the Company on or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the

dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company. In addition, a proxy or proxies representing either a member who is an individual or a member which is a corporation shall be entitled to exercise the same powers on behalf of the member which he or they represent as such member could exercise.

(o) Call on shares and forfeiture of shares

Subject to the Bye-laws and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20 per cent. per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than 14 clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect.

Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding 20 per cent. per annum as the board determines.

(p) Inspection of register of members

The register and branch register of members shall be open to inspection between 10:00 a.m. and 12:00 noon on every business day by members of the public without charge at the registered office or such other place in Bermuda at which the register is kept in accordance with the Companies Act, unless the register is closed in accordance with the Companies Act.

(q) Quorum for meetings and separate class meetings

For all purposes the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Bye-laws relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Bermuda law, as summarised in paragraph 4(e) of this appendix.

(s) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Act, divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

The Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Bye-laws) giving notice of its intention to sell such shares and a period of three months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Bye-laws), has elapsed since such advertisement and the Designated Stock Exchange (as defined in the Bye-laws) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) Other provisions

The Bye-laws provide that to the extent that it is not prohibited by and is in compliance with the Companies Act, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

The Bye-laws also provide that the Company is required to maintain at its registered office a register of directors and officers in accordance with the provisions of the Companies Act and such register is open to inspection by members of the public without charge between 10:00 a.m. and 12:00 noon on every business day.

3. VARIATION OF MEMORANDUM OF ASSOCIATION AND BYE-LAWS

The Memorandum of Association may be altered by the Company in general meeting. The Bye-laws may be amended by the Directors subject to the confirmation of the Company in general meeting. The Bye-laws state that a special resolution shall be required to alter the provisions of the Memorandum of Association or to confirm any amendment to the Bye-laws or to change the name of the Company. For these purposes, a resolution is a special resolution if it has been passed by a majority of not less than three-fourths of the votes cast by such members of the Company as, being entitled to do so, vote in person or, in the case of such members as are corporations, by their respective duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than 21 clear days' notice specifying the intention to propose the resolution as a special resolution has been duly given. Except in the case of an annual general meeting, the requirement of 21 clear days' notice may be waived by a majority in number of the members having the right to attend and vote at the relevant meeting, being a majority together holding not less than 95 percent in nominal value of the shares giving that right.

4. BERMUDA COMPANY LAW

The Company is incorporated in Bermuda and, therefore, operates subject to Bermuda law. Set out below is a summary of certain provisions of Bermuda company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Bermuda company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Share capital

The Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account", to which the provisions of the Companies Act relating to a reduction of share capital of a company shall apply as if the share premium account were paid up share capital of the company except that the share premium account may be applied by the company:

- (i) in paying up unissued shares of the company to be issued to members of the company as fully paid bonus shares;

- (ii) in writing off:
 - (aa) the preliminary expenses of the company; or
 - (bb) the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; or
- (iii) in providing for the premiums payable on redemption of any shares or of any debentures of the company.

In the case of an exchange of shares the excess value of the shares acquired over the nominal value of the shares being issued may be credited to a contributed surplus account of the issuing company.

The Companies Act permits a company to issue preference shares and subject to the conditions stipulated therein to convert those preference shares into redeemable preference shares.

The Companies Act includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. Where provision is made by the memorandum of association or bye-laws for authorising the variation of rights attached to any class of shares in the company, the consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required, and where no provision for varying such rights is made in the memorandum of association or bye-laws and nothing therein precludes a variation of such rights, the written consent of the holders of three-fourths of the issued shares of that class or the sanction of a resolution passed as aforesaid is required.

(b) Financial assistance to purchase shares of a company or its holding company

A company is prohibited from providing financial assistance for the purpose of an acquisition of its own or its holding company's shares unless there are reasonable grounds for believing that the company is, and would after the giving of such financial assistance be, able to pay its liabilities as they become due. In certain circumstances, the prohibition from giving financial assistance may be excluded such as where the assistance is only an incidental part of a larger purpose or the assistance is of an insignificant amount such as the payment of minor costs.

(c) Purchase of shares and warrants by a company and its subsidiaries

A company may, if authorised by its memorandum of association or bye-laws, purchase its own shares. Such purchases may only be effected out of the capital paid up on the purchased shares or out of the funds of the company otherwise available for dividend or distribution or out of the proceeds of a fresh issue of shares made for the purpose. Any premium payable on a purchase over the par value of the shares to be purchased must be provided for out of funds of the company otherwise available for dividend or distribution or out of the company's share premium account. Any amount due to a shareholder on a purchase by a company of its own shares may (i) be paid in cash; (ii) be satisfied by the transfer of any part of the undertaking or property of the company having the same value; or (iii) be satisfied partly under (i) and partly under (ii). Any purchase by a company of its own shares may be authorised by its board of directors or otherwise by or in accordance with the provisions of its bye-laws. Such purchase may not be made if, on the date on which the purchase is to be effected, there are reasonable grounds for believing that the company is, or after the purchase would be, unable to pay its liabilities as they become due. The shares so purchased may either be cancelled or held as treasury shares. Any purchased shares that are cancelled will, in effect, revert to the status of authorised but unissued shares. If shares of the company are held as treasury shares, the company is prohibited to exercise any rights in respect of those shares, including any right to attend and vote at meetings, including a meeting under a scheme of arrangement, and any purported exercise of such a right is void. No dividend shall be paid to the company in respect of shares held by the company as treasury shares; and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) shall be made to the company in respect of shares held by the company as treasury shares. Any shares allotted by the company as fully paid bonus shares in respect of shares held by the company as treasury shares shall be treated for the purposes of the Companies Act as if they had been acquired by the company at the time they were allotted.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Bermuda law that a company's memorandum of association or its bye-laws contain a specific provision enabling such purchases.

Under Bermuda law, a subsidiary may hold shares in its holding company and in certain circumstances, may acquire such shares. The holding company is, however, prohibited from giving financial assistance for the purpose of the acquisition, subject to certain circumstances provided by the Companies Act. A company, whether a subsidiary or a holding company, may only purchase its own shares if it is authorised to do so in its memorandum of association or bye-laws pursuant to section 42A of the Companies Act.

(d) Dividends and distributions

A company may not declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that (i) the company is, or would after the payment be, unable to pay its liabilities as they become due; or (ii) the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts. Contributed surplus is defined for purposes of section 54 of the Companies Act to include the proceeds arising from donated shares, credits resulting from the redemption or conversion of shares at less than the amount set up as nominal capital and donations of cash and other assets to the company.

(e) Protection of minorities

Class actions and derivative actions are generally not available to shareholders under the laws of Bermuda. The Bermuda courts, however, would ordinarily be expected to permit a shareholder to commence an action in the name of a company to remedy a wrong done to the company where the act complained of is alleged to be beyond the corporate power of the company or is illegal or would result in the violation of the company's memorandum of association and bye-laws. Furthermore, consideration would be given by the court to acts that are alleged to constitute a fraud against the minority shareholders or, for instance, where an act requires the approval of a greater percentage of the company's shareholders than actually approved it.

Any member of a company who complains that the affairs of the company are being conducted or have been conducted in a manner oppressive or prejudicial to the interests of some part of the members, including himself, may petition the court which may, if it is of the opinion that to wind up the company would unfairly prejudice that part of the members but that otherwise the facts would justify the making of a winding up order on just and equitable grounds, make such order as it thinks fit, whether for regulating the conduct of the company's affairs in future or for the purchase of shares of any members of the company by other members of the company or by the company itself and in the case of a purchase by the company itself, for the reduction accordingly of the company's capital, or otherwise. Bermuda law also provides that the company may be wound up by the Bermuda court, if the court is of the opinion that it is just and equitable to do so. Both these provisions are available to minority shareholders seeking relief from the oppressive conduct of the majority, and the court has wide discretion to make such orders as it thinks fit.

Except as mentioned above, claims against a company by its shareholders must be based on the general laws of contract or tort applicable in Bermuda.

A statutory right of action is conferred on subscribers of shares in a company against persons, including directors and officers, responsible for the issue of a prospectus in respect of damage suffered by reason of an untrue statement therein, but this confers no right of action against the company itself. In addition, such company, as opposed to its shareholders, may take action against its officers including directors, for breach of their statutory and fiduciary duty to act honestly and in good faith with a view to the best interests of the company.

(f) Management

The Companies Act contains no specific restrictions on the power of directors to dispose of assets of a company, although it specifically requires that every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Furthermore, the Companies Act requires that every officer should comply with the Companies Act, regulations passed pursuant to the Companies Act and the bye-laws of the company. The directors of a company may, subject to the bye-laws of the company, exercise all the powers of the company except those powers that are required by the Companies Act or the bye-laws to be exercised by the members of the company.

(g) Accounting and auditing requirements

The Companies Act requires a company to cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company and (iii) the assets and liabilities of the company.

Furthermore, it requires that a company keeps its records of account at the registered office of the company or at such other place as the directors think fit and that such records shall at all times be open to inspection by the directors or the resident representative of the company. If the records of account are kept at some place outside Bermuda, there shall be kept at the office of the company in Bermuda such records as will enable the directors or the resident representative of the company to ascertain with reasonable accuracy the financial position of the company at the end of each three month period, except that where the company is listed on an appointed stock exchange, there shall be kept such records as will enable the directors or the resident representative of the company to ascertain with reasonable accuracy the financial position of the company at the end of each six month period.

The Companies Act requires that the directors of the company must, at least once a year, lay before the company in general meeting financial statements for the relevant accounting period. Further, the company's auditor must audit the financial statements so as to enable him to report to the members. Based on the results of his audit, which must be made in accordance with generally accepted auditing standards, the auditor must then make a report to the members. The generally accepted auditing standards may be those of a country or jurisdiction other than Bermuda or such other generally accepted auditing standards as may be appointed by the Minister of Finance of Bermuda under the Companies Act; and where the generally accepted auditing standards used are other than those of Bermuda, the report of the auditor shall identify the generally accepted auditing standards used. All members of the company are entitled to receive a copy of every financial statement prepared in accordance with these requirements, at least five days before the general meeting of the company at which the financial statements are to be tabled. A company the shares of which are listed on an appointed stock exchange may send to its members summarized financial statements instead. The summarized financial statements must be derived from the company's financial statements for the relevant period and contain the information set out in the Companies Act. The summarized financial statements sent to the company's members must be accompanied by an auditor's report on the summarized financial statements and a notice stating how a member may notify the company of his election to receive financial statements for the relevant period and/or for subsequent periods.

The summarized financial statements together with the auditor's report thereon and the accompanied notice must be sent to the members of the company not less than 21 days before the general meeting at which the financial statements are laid. Copies of the financial statements must be sent to a member who elects to receive the same within 7 days of receipt by the company of the member's notice of election.

(h) Auditors

At each annual general meeting, a company must appoint an auditor to hold office until the close of the next annual general meeting; however, this requirement may be waived if all of the shareholders and all of the directors, either in writing or at the general meeting, agree that there shall be no auditor.

A person, other than an incumbent auditor, shall not be capable of being appointed auditor at an annual general meeting unless notice in writing of an intention to nominate that person to the office of auditor has been given not less than 21 days before the annual general meeting. The company must send a copy of such notice to the incumbent auditor and give notice thereof to the members not less than 7 days before the annual general meeting. An incumbent auditor may, however, by notice in writing to the secretary of the company waive the requirements of the foregoing.

Where an auditor is appointed to replace another auditor, the new auditor must seek from the replaced auditor a written statement as to the circumstances of the latter's replacement. If the replaced auditor does not respond within 15 days, the new auditor may act in any event. An appointment as auditor of a person who has not requested a written statement from the replaced auditor is voidable by a resolution of the shareholders at a general meeting. An auditor who has resigned, been removed or whose term of office has expired or is about to expire, or who has vacated office is entitled to attend the general meeting of the company at which he is to be removed or his successor is to be appointed; to receive all notices of, and other communications relating to, that meeting which a member is entitled to receive; and to be heard at that meeting on any part of the business of the meeting that relates to his duties as auditor or former auditor.

(i) Exchange control

An exempted company is usually designated as “non-resident” for Bermuda exchange control purposes by the Bermuda Monetary Authority. Where a company is so designated, it is free to deal in currencies of countries outside the Bermuda exchange control area which are freely convertible into currencies of any other country. The permission of the Bermuda Monetary Authority is required for the issue of shares and securities by the company and the subsequent transfer of such shares and securities. In granting such permission, the Bermuda Monetary Authority accepts no responsibility for the financial soundness of any proposals or for the correctness of any statements made or opinions expressed in any document with regard to such issue. Before the company can issue or transfer any further shares and securities in excess of the amounts already approved, it must obtain the prior consent of the Bermuda Monetary Authority.

The Bermuda Monetary Authority has granted general permission for the issue and transfer of shares and securities to and between persons regarded as resident outside Bermuda for exchange control purposes without specific consent for so long as any equity securities, including shares, are listed on an appointed stock exchange (as defined in the Companies Act). Issues to and transfers involving persons regarded as “resident” for exchange control purposes in Bermuda will be subject to specific exchange control authorisation.

(j) Taxation

Under present Bermuda law, no Bermuda withholding tax on dividends or other distributions, nor any Bermuda tax computed on profits or income or on any capital asset, gain or appreciation will be payable by an exempted company or its operations, nor is there any Bermuda tax in the nature of estate duty or inheritance tax applicable to shares, debentures or other obligations of the company held by non-residents of Bermuda. Furthermore, a company may apply to the Minister of Finance of Bermuda for an assurance, under the Exempted Undertakings Tax Protection Act 1966 of Bermuda, that no such taxes shall be so applicable until 28th March 2016, although this assurance will not prevent the imposition of any Bermuda tax payable in relation to any land in Bermuda leased or let to the company or to persons ordinarily resident in Bermuda.

(k) Stamp duty

An exempted company is exempt from all stamp duties except on transactions involving “Bermuda property”. This term relates, essentially, to real and personal property physically situated in Bermuda, including shares in local companies (as opposed to exempted companies). Transfers of shares and warrants in all exempted companies are exempt from Bermuda stamp duty.

(l) Loans to directors

Bermuda law prohibits the making of loans by a company to any of its directors or to their families or companies in which they hold more than a 20 per cent. interest, without the consent of any member or members holding in aggregate not less than nine-tenths of the total voting rights of all members having the right to vote at any meeting of the members of the company. These prohibitions do not apply to (a) anything done to provide a director with funds to meet the expenditure incurred or to be incurred by him for the purposes of the company, provided that the company gives its prior approval at a general meeting or, if not, the loan is made on condition that it will be repaid within six months of the next following annual general meeting if the loan is not approved at or before such meeting, (b) in the case of a company whose ordinary business includes the lending of money or the giving of guarantees in connection with loans made by other persons, anything done by the company in the ordinary course of that business, or (c) any advance of moneys by the company to any officer or auditor under Section 98(2)(c) of the Companies Act which allows the company to advance moneys to an officer or auditor of the company for the costs incurred in defending any civil or criminal proceedings against them, on condition that the officer or auditor shall repay the advance if any allegation of fraud or dishonesty is proved against them. If the approval of the company is not given for a loan, the directors who authorised it will be jointly and severally liable for any loss arising therefrom.

(m) Inspection of corporate records

Members of the general public have the right to inspect the public documents of a company available at the office of the Registrar of Companies in Bermuda which will include the company’s certificate of incorporation, its memorandum of association (including its objects and powers) and any alteration to the company’s memorandum of association. The members of the company have the additional right to inspect the bye-laws of a company, minutes of general meetings and the company’s audited financial statements, which must be presented to the annual general meeting. Minutes of general meetings of a company are also open for inspection by directors of the company without charge for not less than two hours during business hours each day. The register of members of a company is open for inspection by members of the public without charge. The company

is required to maintain its share register in Bermuda but may, subject to the provisions of the Companies Act, establish a branch register outside Bermuda. Any branch register of members established by the company is subject to the same rights of inspection as the principal register of members of the company in Bermuda. Any person may on payment of a fee prescribed by the Companies Act require a copy of the register of members or any part thereof which must be provided within fourteen days of a request. Bermuda law does not, however, provide a general right for members to inspect or obtain copies of any other corporate records.

A company is required to maintain a register of directors and officers at its registered office and such register must be made available for inspection for not less than two hours in each day by members of the public without charge. If summarized financial statements are sent by a company to its members pursuant to section 87A of the Companies Act, a copy of the summarized financial statements must be made available for inspection by the public at the registered office of the company in Bermuda.

(n) Winding up

A company may be wound up by the Bermuda court on application presented by the company itself, its creditors or its contributors. The Bermuda court also has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Bermuda court, just and equitable that such company be wound up.

A company may be wound up voluntarily when the members so resolve in general meeting, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum expires, or the event occurs on the occurrence of which the memorandum provides that the company is to be dissolved. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above. Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval.

Where, on a voluntary winding up, a majority of directors make a statutory declaration of solvency, the winding up will be a members' voluntary winding up. In any case where such declaration has not been made, the winding up will be a creditors' voluntary winding up.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators within the period prescribed by the Companies Act for the purpose of winding up the affairs of the company and distributing its assets. If the liquidator at any time forms the opinion that such company will not be able to pay its debts in full, he is obliged to summon a meeting of creditors.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting requires at least one month's notice published in an appointed newspaper in Bermuda.

In the case of a creditors' voluntary winding up of a company, the company must call a meeting of creditors of the company to be summoned on the day following the day on which the meeting of the members at which the resolution for winding up is to be proposed is held. Notice of such meeting of creditors must be sent at the same time as notice is sent to members. In addition, such company must cause a notice to appear in an appointed newspaper on at least two occasions.

The creditors and the members at their respective meetings may nominate a person to be liquidator for the purposes of winding up the affairs of the company provided that if the creditors nominate a different person, the person nominated by the creditors shall be the liquidator. The creditors at the creditors' meeting may also appoint a committee of inspection consisting of not more than five persons.

If a creditors' winding up continues for more than one year, the liquidator is required to summon a general meeting of the company and a meeting of the creditors at the end of each year to lay before such meetings an account of his acts and dealings and of the conduct of the winding up during the preceding year. As soon as the affairs of the company are fully wound up, the liquidator must make an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon shall call a general meeting of the company and a meeting of the creditors for the purposes of laying the account before such meetings and giving an explanation thereof.

(o) Power to acquire shares of shareholders dissenting from scheme or contract approved by majority

Broadly speaking, where this is a general offer for shares of a company, pursuant to section 102 of the Companies Act, if the offer is approved by the holders of 90 per cent. in value of the shares which are the subject of the offer, the offeror can compulsorily acquire the shares of dissentient shareholders. Shares owned by the offeror or its subsidiary or their nominees at the date of the offer do not, however, count towards the 90%. If the offeror or any of its subsidiaries or any nominee of the offeror or any of its subsidiaries together already own more than 10% of the shares in the subject company at the date of the offer the offeror must offer the same terms to all holders of the same class and the holders who accept the offer, besides holding not less than 90% in value of the shares, must also represent not less than 75% in number of the holders of those shares.

The 90% acceptance must be obtained within 4 months after the making of the offer and, once obtained, the compulsory acquisition may be commenced within 2 months of the acquisition of 90%. Dissident shareholders do not have express appraisal rights but are entitled to seek relief (within one month of the compulsory acquisition notice) from the Supreme Court of Bermuda which has power to make such orders as it thinks fit.

(p) Holders of ninety-five per cent. of shares may acquire remainder

The holders of 95% or more of the shares or any class of shares may serve a notice on the remaining shareholders or class of shareholders under section 103 of the Companies Act to acquire their shares. Dissident shareholders have a right to apply to the Supreme Court of Bermuda within one month of the compulsory acquisition notice to have the value of their shares appraised by the Supreme Court of Bermuda. Under section 103 of the Companies Act, if one dissident shareholder applies to the Supreme Court of Bermuda and is successful in obtaining a higher valuation that valuation must be paid to all shareholders being squeezed out.

5. GENERAL

Conyers Dill & Pearman, the Company's legal advisers on Bermuda law, have sent to the Company a letter of advice summarising certain aspects of Bermuda company law. This letter, together with a copy of the Companies Act, is available for inspection as referred to in the section headed "Documents available for inspection" in Appendix VII to this Composite Offer Document. Any person wishing to have a detailed summary of Bermuda company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

RESPONSIBILITY STATEMENTS

This Composite Offer Document includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to the Inventive Group and the Offeror.

The information contained in this Composite Offer Document (other than that relating to the Offeror, the terms and conditions of the Privateco Offer and the Offeror's intention regarding the Inventive Group) is supplied by the Inventive Directors. Inventive Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Offer Document (other than that relating to the Offeror, the terms and conditions of the Privateco Offer and the Offeror's intention regarding the Inventive Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Offer Document (other than those relating to the Offeror, the terms and conditions of the Privateco Offer and the Offeror's intention regarding the Inventive Group) have been arrived at after due and careful consideration and there are no other facts (other than those relating to the Offeror, the terms and conditions of the Privateco Offer and the Offeror's intention regarding the Inventive Group) not contained in this Composite Offer Document, the omission of which would make any statement in this Composite Offer Document misleading.

The information contained in this Composite Offer Document relating to the Offeror, the terms and conditions of the Privateco Offer and the Offeror's intention regarding the Inventive Group is supplied by the Offeror. The directors of the Offeror accept full responsibility for the accuracy of the information contained in this Composite Offer Document relating to the Offeror, the terms and conditions of the Privateco Offer and the Offeror's intention regarding the Inventive Group and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Offer Document relating to the Offeror, the terms and conditions of the Privateco Offer and the Offeror's intention regarding the Inventive Group have been arrived at after due and careful consideration and there are no other facts relating to the Offeror, the terms and conditions of the Privateco Offer and the Offeror's intention regarding the Inventive Group not contained in this Composite Offer Document, the omission of which would make any statement in this Composite Offer Document misleading.

SHARE CAPITAL

The authorised and issued share capital of Inventive as at the Latest Practicable Date were as follows:

<i>Authorised:</i>	<i>HK\$</i>
<u>2,000,000,000</u> Inventive Shares	<u>200,000,000</u>
<i>Issued and fully paid or credited as fully paid:</i>	
1,000,000 Inventive Shares allotted and issued on 4 October 2006	100,000
<u>1,309,925,244</u> Inventive Shares allotted and issued on the Record Date	<u>130,992,524</u>
<u>1,310,925,244</u> Inventive Shares as at the Latest Practicable Date	<u>131,092,524</u>

All Inventive Shares in issue rank *pari passu* in all respects with each other including all rights as regards rights to dividends, voting and return of capital.

As at the Latest Practicable Date, the Inventive Group did not have any outstanding options, warrants, derivatives or other securities carrying rights of conversion into or exchange or subscription for the Inventive Shares.

SHAREHOLDINGS AND DEALINGS

As at the Latest Practicable Date,

- (i) the Offeror was beneficially interested in 964,548,303 Inventive Shares (representing approximately 73.58% of the issued share capital of Inventive);
- (ii) none of the directors of the Offeror held any Inventive Shares, options, warrants, derivatives or securities convertible into Inventive Shares;
- (iii) none of the parties acting in concert with the Offeror owned or controlled any Inventive Shares, options, warrants, derivatives or securities convertible into Inventive Shares;
- (iv) Inventive held no shares, options, warrants, derivatives or securities convertible into shares in the Offeror;
- (v) save for Mr. Lau who beneficially and wholly owned the entire issued share capital of the Offeror, none of the Inventive Directors held any shares, options, warrants, derivatives or securities convertible into shares in the Offeror and in Inventive; and
- (vi) none of Inventive's subsidiaries, pension fund of Inventive or its subsidiaries, Somerley, Hercules, Horwath Hong Kong CPA Limited ("**Horwath**"), BMI Appraisals Limited ("**BMI**"), Mannings (Asia) Consultants Ltd. ("**Mannings**"), Conyers Dill & Pearman ("**Conyers**") and any other advisers to Inventive as specified in class (2) of the definition of associate under the Takeovers Code owned or controlled any Inventive Shares, options, warrants, derivatives or securities convertible into Inventive Shares.

Save for the distribution in specie of 964,548,303 Inventive Shares to the Offeror pursuant to the Group Reorganisation, none of the persons whose shareholdings are disclosed in (i) to (v) above and (ii) and (v) in the section headed "Miscellaneous" in this appendix dealt for value in the shares, options, warrants, derivatives or securities convertible into shares in question during the period beginning six months prior to 17 November 2006 (being the commencement date of the offer period as defined in the Takeovers Code for the Privateco Offer) up to and including the Latest Practicable Date.

None of the persons whose shareholdings are disclosed in (vi) above, (iii) in the section headed "Arrangements in connection with the Privateco Offer" in this appendix and (iii) in the section headed "Miscellaneous" in this appendix dealt for value in the shares, options, warrants, derivatives or securities convertible into shares in question during the period from 17 November 2006 (being the commencement date of the offer period as defined in the Takeovers Code for the Privateco Offer) up to and including the Latest Practicable Date.

MARKET PRICES

As the Inventive Shares are not listed on the Stock Exchange or any other stock exchanges, there is no information in relation to the prices of the Inventive Shares quoted on the Stock Exchange or any other stock exchanges.

ARRANGEMENTS IN CONNECTION WITH THE PRIVATECO OFFER

- (i) As at the Latest Practicable Date, there was no agreement, arrangement or understanding whereby any securities to be acquired pursuant to the Privateco Offer will be transferred, charged or pledged to any other persons.
- (ii) As at the Latest Practicable Date, there was no agreement, arrangement or understanding (including any compensation arrangement) between the Offeror or any parties acting in concert with it and any of the Inventive Directors, recent Inventive Directors, Inventive Shareholders or recent Inventive Shareholders having any connection with or dependent upon the Privateco Offer.
- (iii) As at the Latest Practicable Date, no person had any arrangement of the kind referred to in note 8 to Rule 22 of the Takeovers Code with (a) Inventive; (b) any person who is an associate of Inventive by virtue of classes (1), (2), (3) and (4) of the definition of associate in the Takeovers Code; (c) the Offeror; or (d) any parties acting in concert with the Offeror.
- (iv) As at the Latest Practicable Date, there was no agreement or arrangement to which the Offeror is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a condition to the Privateco Offer.

ARRANGEMENTS AFFECTING THE INVENTIVE DIRECTORS

There is no benefit (other than statutory compensation) to be given to any Inventive Director as compensation for loss of office or otherwise in connection with the Privateco Offer. There is no agreement or arrangement between any Inventive Director and any other person which is conditional on or dependent upon the outcome of the Privateco Offer or is otherwise connected with the Privateco Offer. There is no material contract entered into by the Offeror in which any Inventive Director has a material personal interest.

SERVICE CONTRACT

As at the Latest Practicable Date, none of the Inventive Directors had any service contract with Inventive or any of its subsidiaries or associated companies in force (i) which is continuous with a notice period of 12 months or more; (ii) which is of a fixed term with more than 12 months to run irrespective of the notice period; or (iii) which (being either continuous or of a fixed term) had been entered into or amended within six months before 17 November 2006 (being the commencement date of the offer period as defined in the Takeovers Code for the Privateco Offer).

EXPERTS AND CONSENTS

The following are the qualifications of the experts whose letters or reports (as the case may be) are contained in this Composite Offer Document:

Name	Qualification
Somerley Limited	a corporation licensed under the SFO to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities for the purposes of the SFO
Hercules Capital Limited	a corporation licensed under the SFO to carry out Type 6 (advising on corporate finance) regulated activity for the purposes of the SFO
Horwath Hong Kong CPA Limited	certified public accountants
BMI Appraisals Limited	chartered surveyors and financial and business valuers
Mannings (Asia) Consultants Ltd.	chartered engineers and traffic consultants
Conyers Dill & Pearman	Bermuda legal advisers

Each of Somerley, Hercules, Horwath, BMI, Mannings and Conyers has given and has not withdrawn its written consent to the issue of this Composite Offer Document, with the inclusion of its letter or reports (as the case may be) or references to its name in the form and context in which they are included.

LITIGATION

As at the Latest Practicable Date, no member of the Inventive Group was engaged in any litigation or arbitration of material importance and no litigation of claim of material importance is known to the Inventive Directors to be pending or threatened by or against any member of the Inventive Group.

MATERIAL CHANGES

Save for the proposal (in respect of the Group Reorganisation, the Special Cash Dividend, the conditional deed of release and termination entered into between City Promenade Limited, Winland Hotel Management Limited, Winland Finance Limited and the Company, and the deed of novation entered into between Express Chain Limited, the Company and Mr. Lau) and the sale of the Property (as defined below), which have been disclosed in the Circular, and a payment of HK\$80 million in November 2006 for certain maintenance and remedial works on the pavement cracks, potholes and rutting, drainage facilities, safety barriers and bridge decks, etc of Ningbo Beilun Port Expressway, which is capital in nature and has been taken into account in the valuation of Beilun Company, there has been no material change in the financial or trading position or outlook of the Inventive Group since 30 September 2006 (being the date to which the latest audited consolidated financial statements of the Inventive Group were made up) up to and including the Latest Practicable Date.

INDEBTEDNESS

At the close of business on 31 January 2007, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Composite Offer Document, the Inventive Group had outstanding borrowings of approximately HK\$1,642,394,000. The borrowings comprised secured bank borrowings of HK\$1,630,419,000, obligations under finance leases of HK\$117,000 and interest payable of HK\$11,858,000.

The Inventive Group's banking facilities were secured by legal charges on its investment property and the operating right of Ningbo Beilun Port Expressway.

Save as aforesaid and apart from intra-group liabilities, the Inventive Group did not have any outstanding mortgages, charges, debentures, loan capital and overdraft or other similar indebtedness, finance leases or hire purchase commitment, liabilities under acceptances or acceptances credits or any guarantees or other material contingent liabilities as at the close of business on 31 January 2007.

For the purpose of the above indebtedness statement, foreign currency amounts have been translated in Hong Kong dollars at the approximate exchange rates prevailing at the close of business on 31 January 2007.

Save as disclosed above, there has been no material change in the indebtedness or contingent liabilities of the Inventive Group since 31 January 2007.

MATERIAL CONTRACTS

Set out below are the contracts (not being those entered into in the ordinary course of business carried on or intended to be carried on by Inventive or any of its subsidiaries) entered into by members of the Inventive Group after the date two years prior to 17 November 2006 (being the commencement date of the offer period as defined in the Takeovers Code for the Privateco Offer) up to and including the Latest Practicable Date, which are or may be material:

- (i) four memoranda of understanding dated 9 May 2005 entered into among three different toll road companies controlled by Mr. Lau, namely 上海茂盛企業發展(集團)有限公司 (Shanghai Mexan Enterprise Development (Group) Company Limited), 中國華星資產經營有限公司 (China Huaxing Asset Management Limited) and Mexan Holdings Limited, and Niceview Limited (a wholly-owned subsidiary of Inventive) whereby Niceview Limited was granted an 18-month exclusivity period during which it had the exclusive rights to negotiate the acquisition of certain toll road interests;
- (ii) an agreement dated 15 August 2005 entered into among Portfield Limited (a wholly-owned subsidiary of Inventive) as purchaser and 中國華星資產經營有限公司 (China Huaxing Asset Management Limited) and Mexan Holdings Limited both as vendors in respect of the sale and purchase of the remaining 55.1% equity interest in Beilun Company for a total consideration of HK\$530 million;
- (iii) an agreement dated 29 December 2006 entered into between Gold Canton Investment Limited (a wholly-owned subsidiary of Inventive) as vendor and Smart Point Resources Limited as purchaser in respect of the sale and purchase of a property situated at Flat C, 5th Floor and a car parking space No. 14 on the Ground Floor of Tower II, South Bay Palace, No. 25 South Bay Close, Hong Kong (the "**Property**") for a total consideration of HK\$16.5 million; and

- (iv) an assignment dated 9 February 2007 entered into between Gold Canton Investment Limited (a wholly-owned subsidiary of Inventive) as vendor and Smart Point Resources Limited as purchaser in respect of the Property.

MISCELLANEOUS

- (i) The principal members of the parties acting in concert with the Offeror are Mr. Lau (a director of the Offeror and Ms. Xia He Na (the spouse of Mr. Lau and a director of the Offeror). The address of Mr. Lau and Ms. Xia He Na is Room 1603, 16th Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.
- (ii) No persons, prior to the posting of this Composite Offer Document, have irrevocably committed themselves to accept or reject the Privateco Offer.
- (iii) As at the Latest Practicable Date, no Inventive Shares, options, warrants, derivatives or securities convertible into Inventive Shares were managed on a discretionary basis by fund managers connected with Inventive.
- (iv) None of the Inventive Directors intends to accept or reject the Privateco Offer.
- (v) As at the Latest Practicable Date, none of the Offeror and parties acting in concert with the Offeror had any arrangements with any persons of the kind referred to in the Note 8 of Rule 22 of the Takeovers Code.
- (vi) The registered office of the Offeror is at Akara Bldg., 24 De Castro Street, Wickhams Cay I, Road Town, Tortola, British Virgin Islands. The correspondence address of the Offeror is Room 1603, 16th Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.
- (vii) The registered office of Somerley Limited is at 10th Floor, The Hong Kong Club Building, 3A Chater Road, Central, Hong Kong.
- (viii) The English text of each of this Composite Offer Document and the accompanying Form of Acceptance and Transfer shall prevail over the Chinese text.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection between 9:00 a.m. and 6:00 p.m. from Monday to Friday (except public holidays) at 16th Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong; and will also be displayed on a website at www.mexan.com.hk and on the website of the SFC at www.sfc.hk from the date of this Composite Offer Document up to and including Monday, 7 May 2007:

- (i) the memorandum and articles of association of the Offeror;
- (ii) the memorandum of association and the bye-laws of Inventive;
- (iii) the letter from Somerley Limited, the text of which is set out on pages 7 to 10 of this Composite Offer Document;

- (iv) the letter of advice from Hercules Capital Limited, the text of which is set out on pages 11 to 27 of this Composite Offer Document;
- (v) the accountants' report on the Inventive Group from Horwath, the extract of which is set out in Appendix II to this Composite Offer Document;
- (vi) the pro forma financial information on the Inventive Group and the comfort letter thereon from Horwath, the text of each of which is set out in Appendix III to this Composite Offer Document;
- (vii) the valuation report on Beilun Company from BMI and the relevant comfort letters in connection therewith from Horwath and Hercules, the text of each of which is set out in Appendix IV to this Composite Offer Document;
- (viii) the traffic forecast report from Mannings, the text of which is set out in Appendix V to this Composite Offer Document;
- (ix) the letter from Conyers dated 17 March 2007 as referred to in the Circular and in the section headed "General" in Appendix VI to this Composite Offer Document summarising certain aspects of Bermuda company law, together with a copy of the Companies Act 1981 of Bermuda;
- (x) the material contracts referred to in the section headed "Material contracts" in this appendix;
and
- (xi) the written consents referred to in the section headed "Experts and consents" in this appendix.

INVENTIVE LIMITED

(Incorporated in Bermuda with limited liability)
(於百慕達註冊成立之有限公司)

BOX A 甲欄	NAME(S) AND ADDRESS OF REGISTERED SHAREHOLDER(S) 已登記股東之姓名及地址	BOX B 乙欄	REGISTERED HOLDING OF INVENTIVE SHARES OF HK\$0.10 EACH AT THE RECORD DATE ON 12 APRIL 2007 於二零零七年四月十二日記錄日期所登記持有之每股面值0.10港元之 INVENTIVE 股份數目。

**FORM OF ACCEPTANCE AND TRANSFER
OF SHARE(S) OF HK\$0.10 EACH IN
THE ISSUED SHARE CAPITAL OF
INVENTIVE LIMITED
INVENTIVE LIMITED 已發行股本中
每股面值0.10港元之股份之
接納及過戶表格**

**This form must be completed in full
本表格每項均須填寫**

Transfer Agent:
轉讓代理:

Tricor Investor
Services Limited
26th Floor,
Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong
卓佳證券登記有限公司
香港灣仔
皇后大道東28號
金鐘匯中心26樓

FOR THE CONSIDERATION stated below, the registered shareholder(s) named in Box A above ("Transferor(s)") hereby transfer(s) to the "Transferee" named below the share(s) of HK\$0.10 each in the issued share capital of INVENTIVE LIMITED ("Inventive Shares") specified below. 上面甲欄所述之已登記股東(「轉讓人」)現按下列代價, 將其所持有之下列INVENTIVE LIMITED已發行股本中每股面值0.10港元之股份(「Inventive 股份」)轉讓予下述之「承讓人」。

Number of Inventive Share(s) (Note) Inventive 股份之數目 (附註)	FIGURES 數目	WORDS 大寫
CONSIDERATION 代價	Cash : HK\$0.30 in cash for each Inventive Share 現金 : 每股Inventive 股份可得現金0.30港元	
TRANSFeree 承讓人	Name 名稱 : MEXAN GROUP LIMITED Correspondence 通訊地址 : Room 1603, 16/F., Bank of East Asia Harbour View Centre, address 56 Gloucester Road, Wanchai, Hong Kong Occupation 職業 : Corporation 法團	
PLEASE DO NOT DATE 請勿填寫日期		
SIGNED by the parties to this transfer, this _____ day of _____ 2007 轉讓雙方簽字日期 : 二零零七年_____月_____日		

Signed by the Transferor(s) in the presence of:
轉讓人在下列見證下簽署:
SIGNATURE OF WITNESS 見證人簽署

Address 地址

Occupation 職業

Signature(s) of Transferor(s)

轉讓人簽署

ALL JOINT
HOLDERS MUST
SIGN HERE
所有聯名股東
均須於本欄
簽署

Note: Insert the total number of Inventive Share(s) tendered under the Privateco Offer. If no number is inserted or a number in excess of your registered holding of Inventive Share(s) (as indicated in BOX B above) is inserted, you will be deemed to have tendered your entire registered holding of Inventive Share(s) under the Privateco Offer.

附註: 請填上 閣下於私人公司收購下交回之Inventive 股份總數, 如無詳列數額或如所填上之數額乃超過 閣下已登記持有之Inventive 股份數量(如乙欄所顯示), 則 閣下將被視為就私人公司收購將名下登記持有之Inventive 股份全部交回論。

THIS FORM IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares of HK\$0.10 each ("Inventive Shares") in the issued share capital of INVENTIVE LIMITED ("Inventive"), you should at once hand this form of acceptance and transfer and the accompanying offer and response document dated 16 April 2007 or around that date (the "Document") to the purchaser or the transferee, or to the bank or the licensed securities dealer or registered institution in securities or other agent through whom the sale or the transfer was effected for transmission to the purchaser or the transferee.

HOW TO COMPLETE THIS FORM

You should read the Document before completing this form. To accept the voluntary unconditional cash offer for the Inventive Shares (the "Privateco Offer") made by Somerley Limited ("Somerley") on behalf of Mexan Group Limited (the "Offeror") to acquire your Inventive Shares at a cash price of HK\$0.30 each, you should duly complete and sign this form and forward this entire form by post or by hand, marked "Inventive Offer" on the envelope, to, which should also reach, Tricor Investor Services Limited (the "Transfer Agent") at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by no later than 4:00 p.m. on Monday, 7 May 2007 or such later date as stated in the Document. All words and expressions defined in the Document shall, unless the context otherwise requires, have the same meanings when used in this form.

FORM OF ACCEPTANCE AND TRANSFER IN RESPECT OF THE PRIVATECO OFFER

To: **Somerley and the Offeror**

1. My/Our execution of this form of acceptance and transfer overleaf (whether or not such form is dated) which shall be binding on my/our successors and assignees shall constitute:

- (i) my/our irrevocable acceptance of the Privateco Offer made by Somerley on behalf of the Offeror as contained in the Document for the consideration and on and subject to the terms and conditions therein and herein mentioned, in respect of the number of Inventive Shares specified in this form or, if no such number is specified, in respect of all Inventive Shares in respect of which I/we am/are registered as the holder(s);
- (ii) my/our irrevocable instruction and authority to the Offeror and/or Somerley and/or their respective agent(s), in relation to the number of Inventive Shares tendered under the Privateco Offer, to send a cheque crossed "Not Negotiable — Account Payee Only" drawn in my/our favour for the consideration to which I/we shall have become entitled under the terms of the Privateco Offer, by ordinary post at my/our risk to the person named below or, if no name and/or address is stated below, to me/to the first-named Inventive Shareholder of joint registered holders of Inventive Shares at the address shown in the register of members of Inventive;

(Here insert name and address of the person to whom the cheque is to be sent if different from the registered Inventive Shareholder or the first-named Inventive Shareholder of joint registered holders of Inventive Shares.)

Name: (in block capitals) _____

Address: (in block capitals) _____

- (iii) my/our irrevocable instruction and authority to the Offeror or Somerley or such person or persons as any of the Offeror or Somerley may direct to complete and execute any document on my/our behalf including but without limitation to insert a date in this form or, if I/we or any other person shall have inserted a date, to delete such date and insert another date and to do any other act, that may be necessary or expedient for the purpose of vesting my/our Inventive Shares in the Offeror;
 - (iv) my/our undertaking to execute such further documents and to do such acts and things by way of further assurance as may be necessary or desirable to transfer my/our Inventive Shares tendered under the Privateco Offer to the Offeror or such person or persons as it may direct free from all rights of pre-emption, options, liens, claims, charges, encumbrances, equities and third party rights and together with all rights attaching or accruing thereto including the right to receive all dividends and distributions declared, made or paid on or after the date of the issue of my/our Inventive Shares; and
 - (v) my/our agreement to ratify each and every act or thing which may be done or effected by the Offeror or Somerley or their respective agent(s) or such person or persons as it/they may direct on the exercise of any of the authorities contained herein.
2. In the event of the Privateco Offer lapsing or in the event that my/our acceptance is not valid, or is treated as invalid, in accordance with the terms of the Privateco Offer, all instructions, authorisations and undertakings contained in paragraph 1 above shall cease and in which event, I/we hereby irrevocably authorise and request you to return to me/us this form duly cancelled, by ordinary post at my/our risk to the person named in paragraph 1(ii) above or, if no name and/or address is stated above, to me or the first-named Inventive Shareholder (in the case of joint registered holders of Inventive Shares) at the address shown in the register of members of Inventive.
 3. I/We understand and agree that cheque(s) issued for acceptance of the Privateco Offer not presented for payment within six months from the date of issue of the relevant cheques will not be honoured and be of no further effect, in such circumstances, I/we should contact the Offeror for payment.
 4. I/We hereby warrant that I/we have the full right, power and authority to sell and pass the title and ownership of such Inventive Shares to the Offeror by way of acceptance of the Privateco Offer.
 5. I/We hereby warrant and undertake to the Offeror and/or Somerley that I/we have satisfied the laws of the jurisdiction where my/our address is stated in the register of members of Inventive in connection with my/our acceptance of the Privateco Offer, including the obtaining of any governmental, exchange control or other consent which may be required to comply with other necessary formalities or legal requirements.
 6. I/We undertake to the Offeror and/or Somerley that I/we shall be responsible for the payment of any transfer or other taxes payable in respect of the jurisdiction where my/our address is located as set out in the register of members of Inventive.
 7. I/We acknowledge that, save as expressly provided in the Document and in this form, all acceptances, instructions, authorities and undertaking hereby given shall be irrevocable.
 8. I/We understand that no acknowledgement of receipt of this form by the Transfer Agent will be given.

本表格乃要件，請即處理

閣下如對本表格任何方面或應採取之行動有任何疑問，應諮詢持牌證券交易商或註冊證券機構、銀行經理、專業會計師或其他專業顧問。

閣下如已出售或轉讓名下所有INVENTIVE LIMITED（「Inventive」）已發行股本中每股面值0.10港元之股份（「Inventive股份」），應立即將此接納及過戶表格連同隨附於二零零七年四月十六日或前後刊發之收購建議及回應文件（「該文件」）交予買主或承讓人，或經手買賣或轉讓之銀行、持牌證券交易商或註冊證券機構或其他代理，以便轉交買主或承讓人。

如何填寫本表格

閣下務請細閱該文件後，方填寫本表格。閣下如接納由新百利有限公司（「新百利」）代表Mexan Group Limited（「收購人」）就Inventive股份提出之自願無條件現金收購建議（「私人公司收購」），以每股0.30港元之現金價格收購閣下之Inventive股份，則應填妥並簽署本表格，並最遲須於二零零七年五月七日（星期一）或該文件所述之較後日期下午四時正前將整份表格寄抵或送達卓佳證券登記有限公司（「轉讓代理」），地址為香港灣仔皇后大道東28號金鐘匯中心26樓，信封面請註明「Inventive收購」。除非文義另有所指，否則該文件所界定之所有文字及詞彙與本表格所採用者具有相同涵義。

私人公司收購之接納及過戶表格

致：新百利及收購人

1. 本人／吾等簽署背頁之接納表及過戶表格（無論該表格是否已註明日期），對本人／吾等之承繼人及承讓人亦將受此約束，亦構成：

- (i) 本人／吾等不可撤回地接納由新百利代表收購人提出並載於該文件中之私人公司收購，以所載代價並按該文件及本表格所載有關條款及條件收購本表格上所填數目之Inventive股份，如未有指定股數，則接納收購本人／吾等名下登記持有之全部Inventive股份；
- (ii) 本人／吾等不可撤回地指示並授權收購人及／或新百利及／或彼等各自之代理人就根據私人公司收購交回之Inventive股份數目，將本人／吾等按私人公司收購之條款應得之代價，以「不得轉讓－只准入抬頭人賬戶」方式開出劃線支票予本人／吾等，然後按下列姓名及地址以普通郵遞方式寄予所列人士，或如未於下欄列明姓名及／或地址，則按Inventive股東名冊所示地址寄予本人／或名列首位之Inventive股份聯名登記Inventive股東。郵誤風險由本人／吾等承擔；

（如收取支票之人士及地址並非Inventive登記股東或名列首位之Inventive股份聯名登記股東所登記之姓名及地址，則請在本欄填上收取支票人士之姓名及地址。）

姓名：（請用正楷填寫）_____

地址：（請用正楷填寫）_____

- (iii) 本人／吾等不可撤回地指示並授權收購人或新百利或任何收購人或新百利之指定人士，代表本人／吾等填寫及簽署任何文件，包括但不限於在本表格填上日期，或如本人／吾等或任何其他人士已填上日期，則刪去該日期而填上另一日期，及採取任何必要或權宜之行動，使本人／吾等之Inventive股份轉歸收購人所有；
 - (iv) 本人／吾等承諾於有需要或適當時簽署其他文件，並辦理其他手續及事項，以確保本人／吾等就私人公司收購交回以轉歸予收購人或由其指定之人士之Inventive股份不受任何優先購買權、購股權、留置權、申索、押記、產權負擔、衡平權及第三者權利所限制，並確保Inventive股份可享有於發行本人／吾等之Inventive股份之日或之後所附帶或累計之一切權利，包括獲派於該日或之後所宣佈、派發或支付一切股息及其他分派之權利；及
 - (v) 本人／吾等同意追認收購人或新百利或彼等各自之代理人或其／彼等可能指定之人士就行使本表格所載在何授權而可能作出或進行之各項行動或事宜。
2. 倘私人公司收購失效或倘根據私人公司收購之條款，本人／吾等之接納為無效或被視為無效，則上文第1段所載之所有指示、授權及承諾皆將終止，在此情況下，本人／吾等謹此不可撤回地授權並要求閣下將已有效註銷之本表格以普通郵遞方式寄予上文1(ii)段所列人士，或如上文未有列明姓名及／地址，則按Inventive股東名冊列明之地址寄予本人或名列首位之Inventive股東（如屬Inventive股份聯名股東），郵誤風險概由本人／吾等承擔。
3. 本人／吾等明白並同意，就接納私人公司收購而開立之支票如在相關支票開立日期後六個月內未獲提兌將不獲兌現，且再無效力，在此情況下，本人／吾等應就付款知會收購人。
4. 本人／吾等謹此保證本人／吾等擁有一切權利、權力及授權，以透過接納私人公司收購之方式出售及轉交該等Inventive股份之所有權及擁有權予收購人。
5. 本人／吾等謹此向收購人及／或新百利保證及承諾，本人／吾等已就本人／吾等接納私人公司收購遵守本人／吾等於Inventive股東名冊列明之地址所處司法權區之法律，包括取得任何政府、外匯管制或為遵守其他必要手續或法律規定之其他批准。
6. 本人／吾等向收購人及／或新百利承諾，本人／吾等須就本人／吾等按Inventive股東名冊列明之地址所處司法權區，支付任何應付之過戶稅或其他稅項。
7. 本人／吾等知悉，除該文件及本表格明確規定者外，所作出之一切接納、指示、授權及承諾均為不可撤回。
8. 本人／吾等知悉，交回本表格概不會獲轉讓代理發出收據。

PERSONAL DATA

Personal Information Collection Statement

This personal information collection statement informs you of the policies and practice of the Offeror and the Transfer Agent in relation to personal data and the Personal Data (Privacy) Ordinance of Hong Kong (the "Privacy Ordinance").

1. Reasons for the collection of your personal data

To accept the Privateco Offer for your Inventive Shares, you must provide the personal data requested. Failure to supply the requested data may result in the processing of your acceptance being rejected or delayed.

2. Purposes

The personal data which you provide on this form may be used, held and/or stored (by whatever means) for the following purposes:

- processing your acceptance and verification of compliance with the terms and application procedures set out in this form;
- conducting or assisting to conduct signature verification, and any other verification or exchange of information;
- distributing communications from the Offeror and/or its subsidiaries or agents such as Somerley and the Transfer Agent;
- compiling statistical information and shareholder profiles;
- making disclosures as required by laws, rules or regulations (whether statutory or otherwise);
- disclosing relevant information to facilitate claims or entitlements;
- any other purposes in connection with the business of the Offeror or the Transfer Agent; and
- any other incidental or associated purposes relating to the above and/or to enable the Offeror and/or Somerley to discharge their obligations to Inventive Shareholders and/or under applicable regulations, and any other purposes to which Inventive Shareholders may from time to time agree or be informed of.

3. Transfer of personal data

The personal data provided in this form will be kept confidential but the Offeror, Somerley and/or the Transfer Agent may, to the extent necessary for achieving the purposes above or any of them, make such enquiries as they consider necessary to confirm the accuracy of the personal data and, in particular, they may disclose, obtain, transfer (whether within or outside Hong Kong) such personal data to, from or with any and all of the following persons and entities:

- the Offeror and/or its subsidiaries or agents such as Somerley and the Transfer Agent;
- any agents, contractors or third party service providers who offer administrative, telecommunications, computer, payment or other services to the Transfer Agent in connection with the operation of its business;
- any regulatory or governmental bodies;
- any other persons or institutions with which you have or propose to have dealings, such as bankers, solicitors, professional accountants, licensed securities dealers or registered institutions in securities; and
- any other persons or institutions whom the Offeror, Somerley and/or the Transfer Agent consider(s) to be necessary or desirable in the circumstances.

4. Access and correction of personal data

The Privacy Ordinance provides you with the rights to ascertain whether the Offeror, Somerley and/or the Transfer Agent hold(s) your personal data, to obtain a copy of that data, and to correct any data that is incorrect. In accordance with the Privacy Ordinance, the Offeror, Somerley and the Transfer Agent have the right to charge a reasonable fee for the processing of any data access request. All requests for access to data or correction of data or for information regarding policies and practices and the kinds of data held should be addressed to the Offeror, Somerley or the Transfer Agent (as the case may be).

BY SIGNING THIS FORM YOU AGREE TO ALL OF THE ABOVE

個人資料

個人資料收集聲明

本個人資料收集聲明知會閣下有關賣方及轉讓代理就有關個人資料及香港之個人資料(私隱)條例(「私隱條例」)之政策及實務做法。

1. 收集閣下個人資料之原因

倘閣下欲就閣下之Inventive股份接納私人公司收購，則閣下須提供所需之個人資料。若未能提供所需資料，可能會導致閣下之接納不予受理或遭延誤。

2. 資料用途

閣下於本表格所提供之個人資料可以任何方式被採用、持有及/或保存，以作下列用途：

- 處理閣下之接納及核實是否遵守本表格所呈列之條款及申請程序而作出；
- 進行或協助進行核對簽名，以及核對或交換任何其他資料；
- 送遞收購人及/或其附屬公司或代理人(例如新百利及轉讓代理)所發出之通訊；
- 編製統計資料及股東資料；
- 遵照法例、規則或規例(不論法定或在其他方面)之要求作出披露；
- 披露有關資料以便進行申索或獲得所有權；
- 與收購人或轉讓代理之業務有關之任何其他用途；及
- 與上述有關之任何其他附帶或相關用途及/或令收購人及/或新百利得以履行彼等對Inventive股東及/或適用法規項下之責任，以及Inventive股東可能不時同意或獲知會之任何其他用途。

3. 向他人提供個人資料

本表格所載之個人資料將會保密，但收購人、新百利及/或轉讓代理可作出必要之查詢以確定個人資料之準確性，以便資料可作任何上述用途，尤其可能會向下列任何及所有人士及實體披露、取得或提供該等個人資料(不論在香港或香港以外地方)：

- 收購人及/或其附屬公司或代理人(例如新百利及轉讓代理)；
- 任何向轉讓代理提供與其業務運作有關之行政、電訊、電腦、付款或其他服務之代理人、承包商或第三方服務供應商；
- 任何監管或政府機構；
- 與閣下有業務往來或將有業務往來之任何其他人士或機構，例如銀行、律師、專業會計師或持牌證券交易商或註冊證券機構；及
- 收購人、新百利及/或轉讓代理在該情況下認為必需或適當之任何其他人士或機構。

4. 查閱及更正個人資料

私隱條例賦予閣下權利確定收購人、新百利及/或轉讓代理是否持有閣下之個人資料，索取資料副本及更正任何不確資料。根據私隱條例，收購人、新百利及轉讓代理有權就處理任何查閱資料之查詢收取合理費用。所有關於查閱資料或更正資料或查閱關於政策及實務做法及所持之資料類別之查詢，應向收購人、新百利或轉讓代理(視乎情況而定)提出。

閣下簽署本表格即表示同意上述各項