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This announcement appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the shares of Innovo Leisure Recreation Holdings Limited.

(A) RESUMPTION PROPOSAL COMPRISING

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTIONS

INVOLVING

(1) CONDITIONAL ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF

KANYSIA INVESTMENTS LIMITED,

(2) SUBSCRIPTION OF NEW SHARES BY MR. CHAN CHAK MO

TO RAISE HK$20 MILLION AND CAPITALISATION OF HK$70 MILLION LOAN

AT A PRICE OF HK$0.50 PER CONSOLIDATED SHARE (EQUIVALENT TO HK$0.05 PER SHARE),

(3) INTENDED PLACING OF NEW SHARES TO RAISE HK$100 MILLION

AT A PRICE OF HK$0.50 PER CONSOLIDATED SHARE

(EQUIVALENT TO HK$0.05 PER SHARE),

AND

(4) CAPITAL REORGANISATION

(SHARE CONSOLIDATION AND AUTHORISED SHARE CAPITAL INCREASE)

AND

(B) CHANGE OF BOARD LOT SIZE

Financial adviser

1. Second stage of the delisting procedures imposed by the Stock Exchange

As informed by the Listing Committee of the Stock Exchange on 7 July 2006, the Company was placed into the second stage of the delisting procedures according to the second part of Paragraph 3.1 of Practice Note 17 of the Listing Rules from 23 June 2006.

The Company has on 28 November 2006 submitted to the Stock Exchange an updated progress report on the business and financial projections of the Company and the Proposal, with a view to seeking resumption of trading of the Shares on the Stock Exchange. The Directors are now pleased to announce the Proposal. Set out below is the summary of the transactions contemplated under the Proposal, that is, the Acquisition, the Subscription, the Loan Capitalisation, the Placing and the Capital Reorganisation.

2. The Proposal

2.1 The Acquisition

The Sale and Purchase Agreement was entered into on 16 March 2007 between the Company and the Vendors, whereby the Company has conditionally agreed to acquire and the Vendors have conditionally agreed to dispose of the entire issued share capital of Kanyisma Limited at a total consideration of approximately HK$362.1 million, of which approximately HK$10.8 million will be satisfied by the allotment and issue of 21,602,422 Consideration Shares at a price of HK$0.50 per Consideration Share (equivalent to HK$0.05 per Share) to Mr. Chan and/or his nominees; and the balance of approximately HK$351.3 million by the issue of the Convertible Note to Chan Leng and/or its nominee(s), in each case on completion of the Proposal. Based on the principal amount to approximately HK$351.3 million of the Convertible Note and a conversion price of HK$0.50 per Consideration Share, about 102,616,816 new Consolidated Shares will be issued if the Convertible Note is fully converted. Kanyisma Group is engaged in the operation of a Japanese food restaurant and Chinese food restaurant in Macau.

Mr. Chan is the Managing Director and effective controlling shareholder of the Company. Chun Leng is a company incorporated in Macau with limited liability which is wholly-owned by Mr. Chan.

2.2 The Subscription and the Loan Capitalisation

As at the date of this announcement, the Group owned approximately HK$81.7 million to Mr. Chan. Mr. Chan would continue to finance the Group’s operation until the completion of the Proposal, and as such, the loan due to Mr. Chan may continue to increase. Upon completion of the Proposal, the Company would have sufficient working capital to finance its own operation.

Under the Subscription and Loan Capitalisation Agreement entered into on 16 March 2007 between the Company and Mr. Chan, Mr. Chan has conditionally agreed to subscribe 40,000,000 new Consolidated Shares at a price HK$0.50 per Consolidated Share in cash (equivalent to HK$0.05 per Share). Mr. Chan has also conditionally agreed to subscribe for a further 140,000,000 new Consolidated Shares at a price of HK$0.50 per Consolidated Share (equivalent to HK$0.05 per Share) to capitalise an aggregate of HK$70 million outstanding shareholder’s loan due to him.

2.3 The Placing

The Directors wish to announce that the Company intends to appoint independent placing agents for the Placing. The Company has identified the Placing Agents and subject to the finalisation of the Placing Agreements, the Company has already discussed the major terms of the Placing Agreements as described below with the Placing Agents, whereby the Placing Agents will underwrite the Placing Shares at a price of HK$0.50 per Consolidaed Share (equivalent to HK$0.05 per Share). Since the Placing is subject to Independent Shareholders’ approval, the Company and the Placing Agents expect to enter into conditional placing agreements at the time closer to but prior to the dispatch of the circular to the Shareholders in relation to the Proposal, pursuant to which the Placing Agents, will, on a fully underwritten basis, 200,000,000 new Consolidated Shares to places who will be Independent Third Parties to raise gross proceeds of HK$100 million at a price of HK$0.50 per Consolidated Share (equivalent to HK$0.05 per Share).

The Company will procure and ensure that each of the Placing Agents will not own any Shares prior to the completion of the Placing and will not be a connected person (as defined in the Listing Rules) of the Company and is an Independent Third Party.

2.4. Capital Reorganisation and change in board lot size

The Company proposes to effect the Share Consolidation by consolidating every 10 issued and unissued ordinary Shares of HK$0.01 each into one Consolidated Share of HK$0.10 each.

Furthermore, to facilitate the allotment and issue of Consolidated Shares under the Proposal and the transactions contemplated thereunder and to provide sufficient room for future equity issues, the Board proposes to increase the authorised share capital of the Company from HK$30,000,000 divided into 3,000,000,000 Shares of HK$0.01 each to HK$100,000,000, divided into 1,000,000,000 Consolidated Shares.

The Capital Reorganisation as part of the Proposal, is conditional upon the conditions set out in the paragraph headed “Conditions and completion”.

After the Share Consolidation has become effective, the board lot for trading in the Consolidated Shares will be changed from 2,000 Shares to 4,000 Consolidated Shares.

3. Sufficient level of operations under Listing Rule 13.24

The Listing Committee considered the submissions (both written and oral up to May 2006) made by the Company to the Listing Division and decided that, among other things, the Company failed to demonstrate that it had a sufficient level of operations or assets of sufficient value under Listing Rule 13.24. The Board was not satisfied that the company’s business is sustainable in the long term and that, when properly managed, the business would continue to be profitable.

The Proposal would generate about HK$116 million to the Company to reduce bank borrowings and interest expenses of the Company and to further improve the overall performance of the Company. The proposed injection of the restaurant business (which has sufficient profit record) held by Kanyisma Group under the Proposal would complement the Group’s current business with ensured profitability. The Company believes that upon implementation of the Proposal, the Company would have sufficient level of operations and assets under Rule 13.24 of the Listing Rules.

4. General

The Company will publish announcement(s) about details/progress of the Proposal from time to time, and despatch circular to Shareholders as soon as practicable.

Trading in the Shares on the Stock Exchange has been suspended since 15 December 2003 at the request of the Company and will remain suspended until completion of the Proposal.

As some of the relevant percentage ratios under Rule 14.07 of the Listing Rules for the Acquisition exceed 100%, the Acquisition would constitute a very substantial acquisition for the Company and would be required to be made conditional on Shareholders’ approval pursuant to Chapter 14 of the Listing Rules. Mr. Chan is the Managing Director and effective controlling Shareholder of the Company and Chun Leng is controlled by Mr. Chan. Therefore, the Acquisition, the Subscription and the Loan Capitalisation would constitute connected transactions for the Company under Rule 14A.13 of the Listing Rules. Hence, the Proposal as a whole, including such transactions, the Placing and the Capital Reorganisation would be conditional on Independent Shareholders’ approval by way of an ordinary resolution at the SGM pursuant to the Listing Rules. The voting result will be taken by poll. Mr. Chan and his associates will abstain from voting on the resolution to approve the Proposal at the SGM.

An Independent Board Committee, comprising the independent non-executive Directors, has been established to consider the terms and conditions of the Proposal, and advise the Independent Shareholders as to whether the transactions contemplated under Proposal are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Altus Capital, an independent financial adviser, has been appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the transactions contemplated under the Proposal.

A copy of the circular containing, among other things, details of the transactions contemplated under the Proposal, the notice of the SGM, the letter from the Independent Board Committee, the letter of advice from Altus Capital will be despatched to the Shareholders as soon as practicable.

Shareholders should note that the successful implementation of the Proposal is subject to fulfillment of a number of conditions, including but not limited to, the Stock Exchange agreeing to the Proposal and allowing the transaction to proceed. In the event that the Proposal was not accepted by the Stock Exchange or was not approved by the Shareholders at the SGM or the Proposal lapsed, trading in the Shares will continue to be suspended pending the submission of any other feasible and acceptable resumption proposal, and the Stock Exchange may place the Company to the third stage of delisting procedures according to the relevant requirements under the Listing Rules.

* For identification purposes only
1. INTRODUCTION
In July 2001, Mr. Chan and his fellow investor through a company invested in the Company by subscribing a convertible note of HK$35 million. Such company became a substantial Shareholder with some 11% equity stake on the Company's listing in early August 2002.

Then, in December 2003, Mr. Chan took over the control of the Company by acquiring some 50.03% equity stake on the Company, through a mortgage and afterwards an additional 1.297% equity stake under a general offer made in accordance with the Takeovers Code. Mr. Chan took over the complete management control of the Company by March 2004.

Trading in the Shares on the Stock Exchange has been suspended since 15 December 2003. After taking control of the Company by Mr. Chan, the Company was requested to demonstrate to the satisfaction of the Stock Exchange that it has a sufficient level of operations or have tangible assets of sufficient value and/or intangible assets for which a sufficient potential value has to warrant the continued listing of the Shares on the Stock Exchange as required under Rule 13.24 of the Listing Rules from 23 June 2006. The Company has in November 2006 submitted to the Stock Exchange an updated progress report on the business and financial projections of the Company and the Proposal, with a view to seeking resumption of trading of the Shares on the Stock Exchange. The Directors are now pleased to announce the Proposal.

The Proposal, in the following manner:

1.3.1 The Proposal
The Directors are pleased to announce that the Sale and Purchase Agreement was entered into on 16 March 2007 between the Company and the Vendors, whereby the Company has conditionally agreed to acquire the Vendors' entire shareholding of Kanysia at a total consideration of approximately HK$62.1 million, of which approximately HK$51.3 million are to be satisfied by the allotment and issue of 21,602,422 Consideration Shares at a price of HK$0.50 per Considered Share (equivalent to HK$0.05 per Share) to Mr. Chan and/or his nominees; and

(iii) the balance of approximately HK$51.3 million will be settled by the issuance of the Convertible Note to Mr. Chan and/or his nominees together with the Conversion Price.

The Sale Shares, being 20,000 shares of US$1.00 each in the share capital of Kanysia beneficially owned by the Vendors and representing the entire issued share capital of Kanysia, will be sold to the Company.

1.3.4 Consideration
The consideration to be paid for the Share Sale is approximately HK$62.1 million. Such consideration is subject to the completion of the Proposal, in the following manner:

(i) approximately HK$51.3 million will be settled by the allotment and issue of 21,602,422 Consideration Shares at a price of HK$0.50 per Considered Share (equivalent to HK$0.05 per Share) to Mr. Chan and/or his nominees; and

(ii) the balance of approximately HK$51.3 million will be settled by the issuance of the Convertible Note to Mr. Chan and/or his nominees.

1.3.5 The Convertible Note
Set out below are the principal terms of the Convertible Note:
Principal amount: HK$318,304,408
Interest: 3% per annum, payable every 6 months from the date of the issue of the Convertible Note.
Maturity and redemption: The maturity date of the Convertible Note will be on the day falling two years and six months after the date of its issue (the "Maturity Date"), on which date the outstanding principal amount will be redeemed in full by the Company (if applicable) at its face value.
Conversion rights: The noteholder will have the right to convert on any Business Day from the issue of the Convertible Note up to 5 business days before the Maturity Date, which Business Day is shall be determined in accordance with the principal amount of the Convertible Note into Conversion Shares at a conversion price of HK$0.50 per Considered Share initially, subject to adjustment.
Repayment: The Company shall have the right to repay the whole or part of the outstanding principal amount together with accrued interest on it at any time prior to the Maturity Date.

1.3.6 Basis of the consideration
The consideration payable under the Acquisition was determined after arm's length negotiations between the Vendors and the Company. Factors taken into account by the parties include the following:
- the historical financial position of the Group as described below;
- the reasons for and background to the implementation of the Proposal as described below;
- the 3.4 times P/E multiple to Kany's Group's historical earnings in 2005 and prospects of Kany's Group's restaurant business in Macau, which already has a successful and consecutive track record;
- the growing economy of Macau; and
- the comparison of the terms of the Acquisition with value and terms of the past and present market transactions of this type in certain events, including, among other things, share consolidations, share subdivisions, capitalisation issues, capital distributions, rights issues, and further issues of shares or convertible securities with conversion price less than the then market price. Details of the adjustments will be set out in the circular to the Shareholders in respect of the Proposal.

1.3.7 The Subscription and the Loan Capitalisation
3.1.4 Consideration
(i) Under the Subscription and Loan Capitalisation Agreement, Mr. Chan has conditionally agreed to subscribe 40,000,000 new Considered Shares at a price HK$0.50 per Considered Share (equivalent to HK$0.05 per Share) in cash. Mr. Chan has also conditionally agreed to subscribe an aggregate of US$10 million outstanding shareholder's loan due to him.

3.1.2 Parties
(i) Mr. Chan; and (ii) Chun Ieng

3.2 Basis of the consideration
The consideration payable to Mr. Chan on his arm's length basis and determined the issue price Consolidated Share under the Subscription and the Loan Capitalisation at approximately HK$0.50 per Share (equivalent to US$0.05 per Share) with reference to the intended placing price under the Placing and the reasons and benefits for the Proposal as mentioned below. Upon completion of the Proposal, the 40,000,000 new Considered Shares will be issued for cash consideration and the 140,000,000 new Considered Shares will be issued by way of capitalisation of HK$70 million outstanding shareholders' loan due to Mr. Chan.

3.3 Basis of the consideration
The new Considered Shares, when issued and fully paid, will rank equally with the existing Considered Shares in issue (upon the Shareholder Capitalisation becoming effective) as at the date of issue.

3.4 Application for listing
The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the new Considered Shares issued under the Subscription and the Loan Capitalisation, the new Considered Shares under the Conversion of the Convertible Note is to be listed on the Stock Exchange on or about the date of issue of the new Considered Shares.

3.5 The Placing
3.3.1 General summary
The Company proposes to raise new equity funds by the placing of the new Considered Shares to independent investors. There were no other fund raising activities made by the Company over the 12 months preceding the date of this announcement.

The Directors consider that the Placement is an appropriate and practical fund raising method for the Company as compared to (i) bank borrowings (which is not feasible due to the current financial position of the Group) or (ii) an underwritten rights issue/open offer (which may not be feasible and with a less flexible timetable for implementation).

The Company intends to appoint independent placing agents for the Placement. The Company has appointed the Placing Agents. The implementation of the Placing Agent is an arm's length independent third party. The Company has offered the Placing Agents a fee of HK$35 million. The placing is subject to the Company raising a cash consideration of approximately HK$51.3 million by way of the placing of 21,602,422 Consideration Shares.

The Directors are now pleased to announce that the placing is now underway. The Company has already discussed the major terms of the Placing Agreements as described below with the Placing Agents, whereby the Placing Agents will underwrite the Placing Shares at an aggregate price of HK$0.50 per Considered Share (equivalent to HK$0.05 per Share). Since the Placing is subject to Independent Shareholders' approval, the Company and the Placing Agents expect to enter into the Placing Agreements at the time closer to but prior to the despatch of the circular to the Shareholders in relation to the Proposal, pursuant to which the Placing Agents will place, on a fully underwritten basis, 280,180,000 new Considered Shares to places who will be Independent Third Parties to raise gross proceeds of HK$140 million.

The Placing Agents and its ultimate beneficial owners will be Independent Third Parties. The Company will make an application to the Stock Exchange for the listing of, and permission to deal in, the new Considered Shares issued under the Placing.
### 3.3.2 Summary of the principal terms of the Placing Agreements

Set out below are the major terms of the Placing Agreements. Further announcements will be made by the Company when the agreements are entered into between the Placing Agents and the Company.

<table>
<thead>
<tr>
<th>(a)</th>
<th>Parties</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i)</td>
<td>The Company; and (ii) each of the Placing Agents.</td>
</tr>
<tr>
<td>The Company will procure and ensure that each of the Placing Agents will not own any new Shares prior to the completion of the placing and will not be a connected person (as defined in the Listing Rules) of the Company and is an Independent Third Party.</td>
<td></td>
</tr>
</tbody>
</table>

(b) The new Consolidated Shares to be issued under the Placing will be 300,000,000 new Consolidated Shares, with each of the new Consolidated Shares being to be issued on a pro-rata basis, to be made available for placing.

(c) The placing price

In view of the reasons for the Proposal (including the Placing) as mentioned above, the Directors, after consulting the Placing Agents on an arm's length basis, have determined the placing price at HK$0.30 per Consolidated Share (equivalent to HK$0.31 per Share).

(d) Rights and ranking of the new Consolidated Shares to be issued under the Placing

The new Consolidated Shares will rank pari passu with the Shares in issue as at the date of issue with the new Consolidated Shares (Share Consolidation becoming effective) in issue as at the date of completion of the Proposal. As at the date of this announcement, the Company does not have any outstanding options or rights or securities convertible or exercisable into Shares or Consolidated Shares (Share Consolidation becoming effective).

(e) Independence of placees

The Placees (and their respective ultimate beneficial owners) will not be connected persons (as defined in the Listing Rules) of the Company and will be Independent Third Parties.

3.3.3 Use of proceeds

The proceeds from the placing will be used to repay bank borrowings and for the use of proceeds as at approximately HK$44.0 million to repay bank borrowings; and

- a discount of approximately 50.5% to the closing price of HK$0.101 per Share at the last Trading Day; and
- a discount of approximately 66.0% to the 10 days average daily closing price of approximately HK$0.0926 per Share up to and including the last Trading Day.

### 5. SIMPLIFIED CORPORATE STRUCTURE IMMEDIATELY BEFORE AND AFTER COMPLETION

#### 5.1 Immediately before completion of the Proposal

- The Share Consolidation will be effective on the same business day as the date of completion of the Proposal.
- The Share Consolidation will not result in any change in the relative rights of the Shareholders.
- The Share Consolidation will not have any material adverse effect on the management or financial position of the Company or the proportionate interests of the Shareholders.

#### 5.2 Immediately after completion of the Proposal

- The new Shares, representing approximately 62.33% of the issued share capital of the Company, are to be held by the public (including the placees).
- The new Shares, representing approximately 51.33% by Puregain and as to the balance of approximately 11.0% by Cash Smart Enterprises Limited, a company beneficially owned by Mr. Chan and another fellow investor.

#### 5.3 Shareholding Structure of the Company immediately before and after completion of the Proposal

<table>
<thead>
<tr>
<th>Shareholder</th>
<th>Shares in issue at the date of this announcement</th>
<th>Shares in issue immediately upon Share Consolidation becoming effective and completion of the Proposal but before the exercise of the Convertible Notes in full</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr. Chan and his associates</td>
<td>373,969,907</td>
<td>294,885,906</td>
</tr>
<tr>
<td>Other Directors</td>
<td>1,153,592</td>
<td>320,200</td>
</tr>
<tr>
<td>Public</td>
<td>225,790,693</td>
<td>0</td>
</tr>
</tbody>
</table>

| Total | 823,553,252 | 655,300,806 |

### 6. SHAREHOLDER STRUCTURE COMPANY IMMEDIATELY BEFORE AND AFTER COMPLETION OF THE PROPOSAL

<table>
<thead>
<tr>
<th>Placees</th>
<th>Shares in issue immediately upon Share Consolidation becoming effective and completion of the Proposal but before the exercise of the Convertible Notes in full</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr. Chan and his associates</td>
<td>294,885,906</td>
</tr>
<tr>
<td>Other Directors</td>
<td>320,200</td>
</tr>
<tr>
<td>Public</td>
<td>0</td>
</tr>
</tbody>
</table>

| Total | 327,206,106 |

### 7. INFORMATION ON THE GROUP

#### 7.1 Shaoguan Project

The Shaoguan Project, which has been running a carnival in the town centre of Shaoguan, China, details of which are described below.

- As at February 2006, the Group has since been running a carnival in Shaoguan, China. Details of which are as follows:
  - The Group has since February 2006 been running a carnival in the town centre of Shaoguan, China. The Shaoguan carnival has become a major source of revenue contributors to the Group. The Group currently operates one carnival at Shaoguan, China, details of which are as follows:
    - The Group has since February 2006 been running a carnival in the town centre of Shaoguan, China. The Shaoguan carnival has become a major source of revenue contributors to the Group.

- The placees are to be paid a net price of approximately HK$0.0926 per Share up to and including the last Trading Day.

- The Placees will not be a connected person (as defined in the Listing Rules) of the Company.

- The Placees will not enter into any transactions contemplated thereunder and to provide sufficient room for future equity issues.

- The Placees are to be paid a net price of approximately HK$0.0926 per Share up to and including the last Trading Day.
A profit sharing agreement was entered into between a wholly-owned subsidiary of the Company and a hot springs hotels group – Shaoguan Qujiang Caoxi Hot Spring Holiday Resort Company Limited, an Independent Third Party, on 29 April 2006 to offer a bottle change service for its hotel guests to visit the Shaoguan carnival. Under the profit sharing agreement, the Group and this hotel group share all the net profit after tax derived from the Shaoguan carnival for 3 years on a 60/40 basis after excluding all incomes from sponsored/promoted events. The Company is expected to receive an annual net profit after tax of RMB8 million (approximately HK$8 million) for the 3rd year which is at a flat rate of 60% of the Group's share of the net profit attributable to equity holders of Kanyisia.

8.2 Historical unaudited financial results

Set out below are the unaudited combined financial results of Kanyisia and its subsidiaries for the three years ended 31 December, 2004, 2005 and 2006 (Note) (unaudited) of all the subsidiaries of the current Kanyisia Group with Kanyisia as the holding company.

For the year ended 31 December 2006

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>MOP'000</td>
<td>MOP'000</td>
<td>MOP'000</td>
</tr>
<tr>
<td></td>
<td>(unaudited)</td>
<td>(unaudited)</td>
<td>(unaudited)</td>
</tr>
<tr>
<td>Turndown</td>
<td>57,738</td>
<td>60,988</td>
<td>70,876</td>
</tr>
<tr>
<td>Gross profit</td>
<td>38,212</td>
<td>41,260</td>
<td>47,831</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>25,313</td>
<td>27,052</td>
<td>32,117</td>
</tr>
<tr>
<td>Net profit</td>
<td>23,841</td>
<td>25,161</td>
<td>27,184</td>
</tr>
<tr>
<td>Profit attributable to equity holders of Kanyisia</td>
<td>17,123</td>
<td>18,278</td>
<td>23,169</td>
</tr>
</tbody>
</table>

At 31 December 2006

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>MOP'000</td>
<td>MOP'000</td>
<td>MOP'000</td>
</tr>
<tr>
<td></td>
<td>(unaudited)</td>
<td>(unaudited)</td>
<td>(unaudited)</td>
</tr>
<tr>
<td>Total assets</td>
<td>89,104</td>
<td>116,249</td>
<td>134,023</td>
</tr>
<tr>
<td>Total liability</td>
<td>51,161</td>
<td>67,088</td>
<td>84,477</td>
</tr>
<tr>
<td>Net assets</td>
<td>37,943</td>
<td>49,161</td>
<td>49,546</td>
</tr>
<tr>
<td>Net asset attributable to equity holders of Kanyisia</td>
<td>54,767</td>
<td>73,045</td>
<td>1,764</td>
</tr>
</tbody>
</table>

Note: There may be adjustment to the unaudited financial results for the year ended 31 December 2006 of the Kanyisia Group upon completion of its audit accounts.

9. BACKGROUND TO AND REASONS OF THE PROPOSAL

In order to extend the existing business of the Group and to improve the overall performance as well as the capital base of the Group, the Company negotiated with various parties, namely,

(i) Mr. Chan and Chan Fung with the intention to acquire the restaurant business of Success Cuisine, which has a profitable and promising track record of over 10 years.
(ii) Mr. Chan to capitalise his shareholder’s loan with the view to improving the capital base of the Group.
(iii) Mr. Chan to subscribe additional Shares with the view to improving the capital base of the Group as well as to stress his commitment to the future of the Group, and
(iv) The Placing Agents to place new Shares with the view to raising new capital and expand shareholders base.

Under the Subscription and the Placing, the Company will be able to generate HK$116 million cash to repay bank debt and adequate cash resources to finance the operations of the Group, which in turn, will reduce bank interest expenses and further improve the overall performance of the Group.

The proposed injection of the restaurant business under the Acquisition would complement the Group’s food related business and provide diversified income sources to the Group.

The proposed injection of the restaurant business under the Acquisition would complement the Group’s food related business and provide diversified income sources to the Group.

10. CONDITIONS AND COMPLETION

Completion of the Proposal is conditional on satisfaction of the following conditions:

(a) the passing by the Shareholders who are permitted under the Listing Rules or by the Stock Exchange to vote at the SGM of the Company, and the Stock Exchange to vote at the SGM of the Company of an ordinary resolution approving the Proposal and transactions contemplated therein;

(b) the Stock Exchange having granted its approval to the listing of, and permission to deal in (i) the Consideration Shares and the underlying Consolidated Shares of the Convertible Note, (ii) the new Consolidated Shares to be issued under the Subscription and (iii) the new Consolidated Shares to be issued under the Placing;

(c) if required) the Bermuda Monetary Authority granting its permission to the allotment and issue of (i) the Consideration Shares and the underlying Consolidated Shares of the Convertible Note, (ii) the new Consolidated Shares to be issued under the Subscription and (iii) the new Consolidated Shares to be issued under the Placing;

(d) all necessary approvals, consents and waivers for the Proposal having been obtained from the regulatory authorities and other relevant third parties which are necessary or containing in force;

(e) a legal opinion to be issued by a firm of BVI lawyers on or before the date of completion of the Sale and Purchase Agreement in respect of the validity of the legal status of Kanyisia and any other matters required by the Company;

(f) the Stock Exchange granting the approval in principle to the resumption of trading in the shares of the Company following the completion of the Proposal.

The transactions contemplated under the Proposal are subject to the same conditions, such that none of the Sale and Purchase Agreement, the Subscription Agreement and the Loan Capitalisation Agreement and the Capital Reorganisation shall complete unless all the transactions become unconditional, and which shall be considered as completed as described below, except that Mr. Chan shall, when the Proposal is completed, and in order to comply with the Listing Rules, will be put by a single ordinary resolution to the Independent Shareholders for consideration and approval at the SGM.

None of the above conditions may be waived by the Company or other counterparties to the relevant agreements involved in the Proposal. If any condition precedent is not fulfilled by 30 June 2007 (the ‘Long Stop Date’) or such later date as may be agreed between the Company and the counterparties to the relevant agreements involved in the Proposal in writing, the Proposal will not proceed. Subject to the satisfaction of the conditions, completion of the Sale and Purchase Agreement, the Placing Agreement and the Loan Capitalisation Agreement, the place contemporaneously with the Proposal shall be open for dealing in the Shares of the Company and the Shares of the Company shall be placed contemporaneously with the Proposal on the third business day immediately after the date on which the last of the conditions precedent for the Proposal is fulfilled. The Capital Reorganisation will take effect on the same day as the date of completion of these agreements, as mentioned above.
11. SUFFICIENT LEVEL OF OPERATIONS UNDER LISTING RULE 13.24

The Listing Committee considered the submissions (both written and oral up to May 2006) made by the Company to the Listing Division and decided that, among other things, the Company failed to demonstrate that it had a sufficient level of operations or assets of sufficient value under Rule 13.24 of the Listing Rules.

The Company’s current operation, which first started in July 2002, has been revived and in full fledged operation since July 2003. Since December 2003, the Group has undertaken and completed successfully over three carnivals in Dalian, Hangzhou and Guangzhou, China for an aggregate turnover of approximately HK$6.5 million and over 315 full carnival days involving a total of over 1,000 workers with over 665,000 visitors.

The Group now has its head quarters in Hong Kong, a head office in Shanghai, a branch office in Guangzhou and an operation office in Shaoqian, China. The Group is undertaking a re-development of a site in PanYu to revive its fixed location amusement park business at a low rental which is expected to be profitable.

Based on the unaudited interim report of the Group for the six months ended 30 June 2006, the turnover of the Group for that period was about HK$5.78 million, while its loss before finance cost was about HK$2.54 million and its loss for the period was about HK$3.38 million and its loss for the period was about HK$3.62 million. The Directors accordingly take the view that the Group’s operation therefore has proved to be real, sustainable and promising.

12. LISTING RULES

As some of the relevant percentage ratios under Rule 14.07 of the Listing Rules for the Acquisition exceeded 100%, the Acquisition would constitute a very substantial acquisition and a substantial acquisition. The Proposal would be required to be made conditional on Shareholders’ approval pursuant to Chapter 14 of the Listing Rules. Mr. Chan is the Managing Director of the Company and the Placing Agents in respect of the Placing at the time closer to time, and dispatch circular to Shareholders as soon as practicable.

Trading in the Shares has been suspended since 15 December 2003 at the request of the Company and will remain suspended until further notice.

The Company intends to despatch the circular in respect of the Proposal to the Shareholders by mid/end January 2007. Detailed timetable, including the timetable for the Capital Reorganisation and the change in board lot size, will be announced separately as well as included in the circular to be despatched to the Shareholders.

An Independent Board Committee, comprising the independent non-executive Directors, has been established to consider the terms and conditions of the Proposal; and advise the Independent Shareholders as to the content of the transactions contemplated by the Proposal were on non-discretionary basis fair and reasonable and in the interests of the Company and the Shareholders as a whole. Altus Capital, an independent financial adviser, has been appointed to advise the Independent Board Committee in relation to the transactions contemplated under the Proposal.

A copy of the circular containing, among other things, details of the transactions contemplated under the Proposal, the notice of the SGM, the letter from the Independent Board Committee, the letter of advice from Altus Capital, capital with rights attached to the Shares as soon as practicable.

Shareholders should note that the successful implementation of the Proposal is subject to fulfillment of a number of conditions, including but not limited to, the Stock Exchange agreeing to the Proposal and an independent committee of the Board comprising Mr. Cheung Hon Kit, Mr. Chau Sai Cheong and Mr. Yu Kam Yuen, Lincoln, all being independent non-executive Directors

personally, or in the case of any transactions, the corporation and their ultimate beneficial owner(s), who are independent of and not connected with the Company, its subsidiaries and its connected persons or their respective associates.

Shareholders other than Mr. Chan and his associates Kanysia Investments Limited, a company incorporated in the British Virgin Islands with limited liability. Mr. Chan and Chun Ieng are directly interested in 17.48% and 82.52% of issued share capital of Kanysia.

Kanysia and its subsidiaries (that is, Success Cuisine and Successful Food)

12 December 2003, the last trading day of the Shares on the Stock Exchange prior to the suspension of trading, the listing sub-committee of the board of directors of the Stock Exchange

13. GENERAL

The Company will publish announcement/s about details/progress of the resumption proposal from time to time, and dispatch circular to Shareholders as soon as practicable.

14. DEFINITIONS

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

"Access Capital" Access Capital Limited, the financial adviser to the Company and a licensed corporation under the SFO (Chapter 571 of the Laws of Hong Kong) and engaged in Types 1, 4, 6 and 9 regulated activities.

"Acquisition" the purchase by the Company of the Sale Shares pursuant to the Sale and Purchase Agreement.

"Altus Capital" or the "IFA" Altus Capital Limited, a licensed corporation under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) carrying out Types 4, 6 and 9 regulated activities, which has been appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Proposal.

"associate(s)" has the meaning ascribed to it under the Listing Rules.

"Board" the Board of Directors.

"Capitalisation" the proposed Share Consolidation and the increase in authorised share capital of the Company as described in the section headed "Capital Reorganisation and change in board lot size" of the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, Macau Special Administrative Region and the PR China.

"China" or the "PRC" the People’s Republic of China.

"Chun Ieng" Restaurante Chun Ieng – Sociedade Unipessoal LImitada, a company incorporated in Macau with limited liability and wholly-owned by Mr. Chan.

"Consolidated Effective Date" the date on which the Share Consolidation shall take place as described in the section headed "Capital Reorganisation and change in board lot size".

"Consolidated Share(s)" the ordinary share(s) of HK$0.10 each in the share capital of the Company upon the Share Consolidation becoming effective.

"Consolidated Sale" the ordinary share(s) of HK$0.50 per Consolidated Share, to Chun Ieng and/or its nominee(s) at completion of the Proposal pursuant to the Sale and Purchase Agreement.

"Connected Person(s)" the director(s) of the Company.

"Convertible Note" the convertible note to be issued by the Company, carrying the conversion price of HK$0.50 per Consolidated Share, to Chun Ieng and/or its nominee(s) at completion of the Proposal pursuant to the Sale and Purchase Agreement.

"Entity A" any person or persons or their respective associates.

"Employee Group" the employees of the Company.

"Entity B" the independent non-executive Directors.

"Entity C" the committee of Board.

"Entity D" the committee of Board.

"Entity E" the committee of Board.

"Entity F" the committee of Board.

"Entity G" the committee of Board.

"Entity H" the committee of Board.

"Entity I" the committee of Board.

"Entity J" the committee of Board.

"Entity K" the committee of Board.

"Entity L" the committee of Board.

"Entity M" the committee of Board.

"Entity N" the committee of Board.

"Entity O" the committee of Board.

"Entity P" the committee of Board.

"Entity Q" the committee of Board.

"Entity R" the committee of Board.

"Entity S" the committee of Board.

"Entity T" the committee of Board.

"Entity U" the committee of Board.

"Entity V" the committee of Board.

"Entity W" the committee of Board.

"Entity X" the committee of Board.

"Entity Y" the committee of Board.

"Entity Z" the committee of Board.

"Convertible Note" the convertible note to be issued by the Company, carrying the conversion price of HK$0.50 per Consolidated Share, to Chun Ieng and/or its nominee(s) at completion of the Proposal pursuant to the Sale and Purchase Agreement.

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