THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in HyComm Wireless Limited (the "Company"), you should at once hand this Prospectus, together with the accompanying application form to the purchaser or transferee, or to licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

A copy of this Prospectus, together with the documents specified in the paragraph headed "Documents delivered to the Registrar of Companies" in Appendix IV to this Prospectus, have been registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). A copy of this Prospectus has been, or will as soon as reasonably practicable, be filed with the Registrar of Companies in Bermuda as required by Section 26 of the Companies Act 1981 of Bermuda (as amended). The Registrar of Companies in Hong Kong, the Securities and Futures Commission in Hong Kong, the Registrar of Companies in Bermuda and the Bermuda Monetary Authority take no responsibility as to the contents of these documents.

Dealings in the shares of the Company may be settled through the Central Clearing and Settlement System and you should consult your stockbroker or other licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser for details of those settlement arrangements and how such arrangements may affect your rights and interests.

HYCOMM WIRELESS LIMITED

華脈無線通信有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00499)

PROPOSED RIGHTS ISSUE OF NOT MORE THAN 436,867,095 RIGHTS SHARES ON THE BASIS OF SEVEN RIGHTS SHARES FOR EVERY SHARE HELD ON THE RECORD DATE

Underwriters to the Rights Issue

REGAL POWER INVESTMENTS LIMITED

JOY GLORY LIMITED

AND

HEAD & SHOULDERS SECURITIES LIMITED

The latest time for acceptance of, and payment for, the Rights Shares is 4:00 p.m. on Monday, 23rd February, 2009. The procedures for acceptance are set out on pages 22 to 24 of this Prospectus.

The Shares have been dealt with on an ex-rights basis commencing from Friday, 30th January, 2009. The Rights Shares will be dealt in their nil-paid form from Wednesday, 11th February, 2009 to Wednesday, 18th February, 2009, both days inclusive. The Shareholders should note that dealings in such Shares will take place while the conditions to which the Underwriting Agreement is subject remain unfulfilled. Any Shareholder or other person dealing in such Shares up to the date on which all conditions to which the Rights Issue is subject are fulfilled (which is expected to be Thursday, 26th February, 2009), will accordingly bear the risk that the Rights Issue cannot become unconditional and may not proceed. Any Shareholder or other person contemplating selling or purchasing Shares, who is in any doubt about his/her/its position, is recommended to consult his/her/its own professional adviser.

The Underwriting Agreement contains provisions entitling Regal Power (for itself and on behalf of the Underwriters) by notice in writing to the Company served prior to 4:00 p.m. on Thursday, 26th February, 2009 to terminate the Underwriting Agreement on the occurrence of certain events as set out in the section headed "Termination of the Underwriting Agreement" on pages 16 to 17 of this Prospectus.

If Regal Power (for itself and on behalf of the Underwriters) terminates the Underwriting Agreement, or if the conditions of the Underwriting Agreement are not fulfilled (or waived by Regal Power (for itself and on behalf of the Underwriters)) in accordance with the terms thereof, the Rights Issue will not proceed.

* *for identification purpose only*

9th February, 2009

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The expected timetable for the Rights Issue is set out below:

Expected Timetable for Rights Issue	*2009*
Last day of dealings in the Shares on a cum-rights basis	Thursday, 29th January
First day of dealings in the Shares on an ex-rights basis	Friday, 30th January
Latest time for lodging transfers of the Shares in order to be qualified for the Rights Issue	4:30 p.m. on Monday, 2nd February
Register of members closes	Tuesday, 3rd February to Wednesday, 4th February (both dates inclusive)
Record Date	Wednesday, 4th February
Register of members re-opens	Thursday, 5th February
Despatch of the Prospectus Documents	Monday, 9th February
First day of dealings in nil-paid Rights	Wednesday, 11th February
Latest time for splitting nil-paid Rights	4:30 p.m. on Friday, 13th February
Last day of dealing in nil-paid Rights	Wednesday, 18th February
Latest Time for Acceptance	4:00 p.m. on Monday, 23rd February
Latest Time for Termination	4:00 p.m. on Thursday, 26th February
Announcement of results of the Rights Issue	Friday, 27th February
Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares expected to be posted on or before	Tuesday, 3rd March
Certificates for the Rights Shares expected to be despatched on or before	Tuesday, 3rd March
Dealings in fully-paid Rights Shares commence on	Thursday, 5th March

Note: All times in this Prospectus refer to Hong Kong times.

Dates or deadlines specified in this Prospectus are indicative only and may be varied by agreement between the Company and the Underwriters. Any consequential changes to the expected timetable will be published or notified to Shareholders appropriately.

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES AND FOR APPLICATION AND PAYMENT FOR EXCESS RIGHTS SHARES

The latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will not take place if there is:

1. a tropical cyclone warning signal number 8 or above, or

2. a "black" rainstorm warning

   (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the Latest Time for Acceptance. Instead the latest time for acceptance of the Rights Shares and for application and payment for excess Rights Shares will be extended to 5:00 p.m. on the same Business Day;

   (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the Latest Time for Acceptance. Instead the latest time for acceptance of the Rights Shares and for application and payment for excess Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.

If the latest time for acceptance of the Rights Shares and for application and payment for excess Rights Shares does not take place on the Latest Time for Acceptance, the dates mentioned in this section may be affected. The Company will notify Shareholders by way of announcements of any change to the expected timetable as soon as practicable.

In this Prospectus, unless the context otherwise requires, the following terms shall have the following meanings:

"Announcement"	the announcement of the Company dated 1st December 2008 in relation to, among other things, the Rights Issue
"associates"	has the meaning ascribed thereto in the Listing Rules
"Board"	the board of Directors
"Business Day"	a day (other than a Saturday, Sunday or public holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
"Bye-laws"	the bye-laws of the Company, a summary of which is set out in Appendix V to this Prospectus
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Operational Procedures"	the Operational Procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
"Circular"	the circular of the Company dated 8th January, 2009 in relation to, among other things, the Rights Issue
"Companies Act"	Companies Act 1981 of Bermuda (as amended)
"Companies Ordinance"	the Companies Ordinance, Chapter 32 of the Laws of Hong Kong
"Company"	HyComm Wireless Limited, a company incorporated in Bermuda with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Convertible Notes"	5% secured convertible notes due 2011 issued by the Company in a principal amount of HK$150,000,000 as disclosed in the announcement of the Company dated 15th October, 2007
"Directors"	the directors of the Company

"EAF(s)"	the excess application form(s) to be used in connection with the Rights Issue by the Qualifying Shareholders to apply for entitlements of the Excluded Shareholders and Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders
"Excluded Shareholder(s)"	those Overseas Shareholder(s) to whom the Board, after making enquires, considers it necessary or expedient on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place not to offer the Rights Shares to them
"Group"	the Company and its subsidiaries
"Head & Shoulders"	Head & Shoulders Securities Limited, a licensed corporation to carry on business in type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HK$"	Hong Kong dollars, the lawful currency for the time being of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Independent Shareholders"	Shareholders other than those who are required to abstain from voting in favour of the resolution approving the Rights Issue at the SGM under the Listing Rules
"Independent Third Party"	person who himself is, and (in the case of corporate entity) its ultimate beneficial owners are, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, third parties who are not connected persons of the company and are independent of the Company and its subsidiaries, their directors, chief executives and substantial shareholders or their respective associates
"Irrevocable Undertakings"	the irrevocable undertakings dated 26th November, 2008 and given by each of Regal Power and Mr. Lau in favour of the Company and the other Underwriters, further details of which are set out in the paragraph headed "Irrevocable Undertakings" in the section headed "The Rights Issue" in this Prospectus

"Joy Glory"	Joy Glory Limited, a company incorporated in the British Virgin Islands and wholly and beneficially owned by Mr. Lau
"Last Trading Day"	26th November, 2008, being the last trading day of the Existing Shares prior to the release of the Announcement
"Latest Lodging Date"	4:30 p.m. on Monday, 2nd February, 2009 as the latest time for lodging transfer of Shares in order to qualify for the Rights Issue
"Latest Practicable Date"	4th February, 2009, being the latest practicable date prior to the printing of this Prospectus for the purpose of ascertaining certain information contained herein
"Latest Time for Acceptance"	4:00 p.m. on Monday, 23rd February, 2009 or such later time or date as may be agreed between the Company and Regal Power, being the latest time for acceptance of, and payment for, the Rights Shares
"Latest Time for Termination"	4:00 p.m. on the third business day after the Latest Time for Acceptance or such later time or date as may be agreed between the Company and the Underwriters, being the latest time to terminate the Underwriting Agreement
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Mr. Chan"	Mr. Chan Yuen Ming, a legal and beneficial owner of the entire issued share capital of Regal Power
"Mr. Lau"	Mr. Lau Chi Yuen, Joseph, a legal and beneficial owner of the entire issued share capital of Joy Glory
"Overseas Letter"	a letter from the Company to the Excluded Shareholders explaining the circumstances in which the Excluded Shareholders are not permitted to participate in the Rights Issue
"Overseas Shareholders"	the Shareholders with registered addresses on the register of members of the Company which are outside Hong Kong on the Record Date
"PAL"	the provisional allotment letter(s) to be used by the Qualifying Shareholders to apply for their entitlements to the Right Shares provisionally allotted to them under the Rights Issue

"Posting Date"	9th February, 2009 or such later date as the Underwriters may agree in writing with the Company, being the date of posting of the Prospectus Documents
"Prospectus"	this prospectus issued by the Company in relation to the Rights Issue
"Prospectus Documents"	this Prospectus, the PAL and EAF
"Qualifying Shareholders"	the Shareholders, other than the Excluded Shareholders, whose names appear on the register of members of the Company as at the close of business on the Record Date
"Record Date"	4th February, 2009, being the date by reference to which entitlements to the Rights Issue will be determined
"Regal Power"	Regal Power Investments Limited, a company incorporated in the British Virgin Islands and wholly and beneficially owned by Mr. Chan
"Registrar"	Tricor Secretaries Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, being the Company's Hong Kong branch share registrar
"Rights Issue"	the proposed issue of the Rights Shares by way of a rights issue to the Qualifying Shareholders on the basis of seven Rights Shares for every Share held on the Record Date on the terms set out in the Prospectus Documents and summarized herein
"Rights Share(s)"	436,867,095 Shares proposed to be offered to the Qualifying Shareholders for subscription pursuant to the Rights Issue
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Company held on 23rd January, 2009 approving, among other things, the Share Consolidation and the Rights Issue
"Share(s)"	ordinary share(s) of HK$0.1 each in the issued and unissued share capital of the Company

"Share Consolidation"	the consolidation of every twenty shares of HK$0.005 each in the issued and unissued share capital of the Company into one Share of HK$0.1 each in the issued and unissued share capital of the Company as approved by the Shareholders at the SGM
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription Price"	the subscription price of HK$0.144 per Rights Share
"Underwriters"	collectively, Regal Power, Joy Glory and Head & Shoulders
"Underwriting Agreement"	the underwriting agreement dated 26th November, 2008 entered into between the Company and the Underwriters in relation to the Rights Issue
"Underwritten Shares"	the total number of Rights Shares to which holders of Existing Shares are entitled pursuant to the Rights Issue less such number of Rights Shares agreed to be taken up or proceed to be taken by Regal Power and Mr. Lau, being a maximum of 113,750,000 Rights Shares and 21,350,000 Rights Shares, respectively

HYCOMM WIRELESS LIMITED
華脈無線通信有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00499)

Executive Directors
Mr. Lai Yiu Keung
Mr. Liu Shun Chuen
Mr. Yeung Sau Chung

Independent non-executive Directors
Mr. Jacobsen William Keith
Mr. Wu Wang Li
Mr. Ng Wai Hung

Registered office
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office and principal place of business in Hong Kong
Room 1211, 12/F., Tower 1
New World Tower
18 Queen's Road Central
Hong Kong

9th February, 2009

To the Qualifying Shareholders and for information only, the Excluded Shareholders

Dear Sir or Madam,

PROPOSED RIGHTS ISSUE OF NOT MORE THAN 436,867,095 RIGHTS SHARES ON THE BASIS OF SEVEN RIGHTS SHARES FOR EVERY SHARE HELD ON THE RECORD DATE

INTRODUCTION

Reference is made to the Announcement dated 1st December, 2008 and the Circular dated 8th January, 2009 in relation to, among other things, the Rights Issue.

On 1st December, 2008, the Company announced that it proposed to raise not less than approximately HK$62.9 million before expenses by way of the Rights Issue of not more than 436,867,095 Rights Shares at a price of HK$0.144 per Rights Share on the basis of seven Rights Shares for every Share held on the Record Date.

* *for identification purposes only*

As the Rights Issue will increase the issued share capital of the Company by more than 50%, pursuant to Rule 7.19(6)(a) of the Listing Rules, the Rights Issue is subject to approval by Independent Shareholders at the SGM. At the SGM held on 23rd January, 2009, the ordinary resolution approving the Rights Issue was duly passed by the Independent Shareholders by way of poll. As at the date of the SGM, the Company has no controlling Shareholders and no Directors had interest in the Shares. As such, no Shareholder is required to abstain, and had abstained, from voting in favour of the resolution to approve the Rights Issue at the SGM.

The purpose of this Prospectus is to provide Shareholders with further information regarding the Rights Issue and certain financial and other information in respect of the Company.

THE RIGHTS ISSUE

Issue statistics

Basis of the Rights Issue	:	Seven Rights Shares for every Share held on the Record Date
Subscription Price	:	HK$0.144 per Rights Share
Number of Shares in issue	:	62,409,585 Shares
Number of Rights Shares	:	436,867,095 Rights Shares
Number of Rights Shares to be taken by Regal Power and Mr. Lau pursuant to the Irrevocable Undertakings	:	Pursuant to the Irrevocable Undertakings, subject to the Rights Issue not being terminated, each of Regal Power and Mr. Lau has severally and irrevocably undertaken to take up all its/his entitlements under the Rights Issue being a maximum of 113,750,000 Rights Shares and 21,350,000 Rights Shares, respectively.

Total number of Underwritten Shares	:	The Underwriters have conditionally agreed pursuant to the Underwriting Agreement to severally underwrite the balance of the Rights Shares (excluding the number of the Rights Shares agreed to be taken up by Regal Power and Mr. Lau pursuant to the Irrevocable Undertakings) not subscribed by the Shareholders on a fully underwritten basis, being an aggregate of 301,767,095 Rights Shares (of which (a) Regal Power as one of the Underwriters has agreed to underwrite not more than 18,500,000 Rights Shares in the first place provided that the total number of Shares held by Regal Power and its concert parties upon completion of the Rights Issue shall not exceed 29.99% of the total number of Shares in issue; (b) Joy Glory as one of the Underwriters has, subject to Regal Power first taking up its maximum permitted Underwritten Shares, agreed to underwrite not more than 72,000,000 Rights Shares in the second place provided that the total number of Shares held by Joy Glory and its concert parties upon completion of the Rights Issue shall not exceed 19.99% of the total number of Shares in issue; and (c) Head & Shoulders as one of the other Underwriters has agreed, subject to each of Regal Power and Joy Glory taking up their maximum permitted Underwritten Shares, to underwrite the balance of 211,267,095 Rights Shares), subject to the terms and conditions of the Underwriting Agreement.
Total Number of Shares in issue upon completion of the Rights Issue	:	499,276,680 Shares

As at the Latest Practicable Date, save for the Convertible Notes, the Company had no outstanding convertible securities, options or warrants in issue which would otherwise confer any right to subscribe for, convert or exchange into the existing Shares.

Qualifying Shareholders and Rights of Excluded Shareholders

To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company on the Record Date. In order to be registered as members of the Company on the Record Date, all transfers of the Shares must be lodged (together with the relevant share certificate(s)) with the Company's branch share registrars in Hong Kong by 4:30 p.m. (Hong Kong time) on Monday, 2nd February, 2009. The branch share registrar of the Company in Hong Kong is:

Tricor Secretaries Limited of
26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

The Company will send the Prospectus Documents to the Qualifying Shareholders.

Having reviewed the register of members of the Company as at the Latest Practicable Date, the Company noted that the Shareholders registered with overseas addresses were situated in the United States of America, New Zealand and Canada. Based on the legal advice provided by the legal advisers in the relevant jurisdictions, the Directors are of the view that it is necessary and expedient to exclude the Overseas Shareholders in New Zealand, Canada and the United States of America in respect of the Rights Issue and they will be regarded as Excluded Shareholders as the offering of the Rights Shares to these Overseas Shareholders would, or might, in the absence of compliance with registration or other special formalities, be unlawful or impracticable and the cost to be incurred would outweigh the possible benefits to the relevant Overseas Shareholders and the Company if the Rights Shares are to be offered in these jurisdictions. The Company will send the Prospectus and the Overseas Letter to the Excluded Shareholders for their information only but will not send the application form in respect of the assured allotment of the Rights Shares and the form of application for excess Rights Shares to them. The entitlement of the Excluded Shareholders under the Rights Issue will be made available for excess application.

Closure of register of members

The register of members of the Company has been closed from Tuesday, 3rd February, 2009 to Wednesday, 4th February, 2009, both dates inclusive. No transfers of Shares will be registered during this period.

Subscription Price

HK$0.144 per Rights Share, payable in full by a Qualifying Shareholder upon acceptance of the provisional allotment of the Rights Shares under the Rights Issue or application for excess Rights Shares or when a renounce of any provisional allotment of the Rights Shares or a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

(i) a discount of approximately 72% to the adjusted closing price of HK$0.52 per Share (assuming the Share Consolidation becoming effective) as quoted on the Stock Exchange on the Last Trading Day;

(ii) a discount of approximately 74% to the average adjusted closing price of HK$0.548 per Share (assuming the Share Consolidation becoming effective) as quoted on the Stock Exchange for the last 5 consecutive trading days up to and including the Last Trading Day;

(iii) a discount of approximately 77% to the average adjusted closing price of HK$0.63 per Share (assuming the Share Consolidation becoming effective) as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day;

(iv) a discount of approximately 25% to the theoretical ex-right price of HK$0.191 based on the adjusted closing price of HK$0.52 per Share as quoted on the Stock Exchange on the Last Trading Day;

(v) a discount of approximately 86% to the audited consolidated net assets value per Share (assuming the Share Consolidation becoming effective) of approximately HK$1.02 as at 31st March, 2008;

(vi) a discount of approximately 52% to the adjusted closing price of HK$0.3 per Share (assuming the Share Consolidation becoming effective) as quoted on the Stock Exchange as at 5th January, 2009, the latest practicable date of the Circular; and

(vii) a premium of approximately 3% to the closing price of HK$0.14 per share as quoted on the Stock Exchange as at the Latest Practicable Date.

The Subscription Price was arrived at after arm's length basis between the Company and the Underwriters with reference to the market price of the Shares under the prevailing market conditions. The Directors (including the independent non-executive Directors) consider the terms of the Rights Issue (including the rate of commission) to be fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

Basis of Provisional Allotments

Seven Rights Shares (in nil-paid form) for every Share held by Qualifying Shareholders as at the close of business on the Record Date.

Status of the Rights Shares

The Rights Shares (when allotted, issued and fully paid) will rank pari passu with the then Consolidated Shares in issue in all respects. Holders of fully paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid after the date of allotment and issue of the Rights Shares.

Certificates for the Rights Shares

Subject to the fulfillment or the waiver in whole or in part by the Underwriters of the conditions of the Rights Issue, certificates for all fully-paid Rights Shares are expected to be posted by Tuesday, 3rd March, 2009 to those Qualifying Shareholders who have paid for and have accepted the Rights Shares, at their own risk.

Refund cheques for the Rights Issue

Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares (if any) are expected to be posted on or before Tuesday, 3rd March, 2009 by ordinary post to the applicants at their own risk.

Fractions of the Rights Shares

The Company will not provisionally allot fractions of Rights Shares in nil-paid form. All fractions of Rights Shares, if any, will be aggregated and all nil-paid Rights Shares arising from such aggregation will be sold in the market and, if a premium (net of expenses) can be achieved, the Company will keep the net proceeds for its own benefit. Any unsold fractions of Rights Shares, if any, will be made available for excess application.

Application for excess Rights Shares

Qualifying Shareholders shall be entitled to apply, by way of excess application, for any Rights Shares in provisional allotment of other Qualifying Shareholders but not applied for by them, any Rights Shares arising from the aggregation of fractional entitlements, if any, and any Rights Shares not offered to the Excluded Shareholders. Application may be made by completing the EAF and lodging the same with a separate remittance for the excess Rights Shares being applied for. The Board will allocate the excess Rights Shares at their discretion, but on a fair and reasonable basis on the following principles:

(a) preference will be given to applications for less than a board lot of Rights Shares where they appear to the Directors that such applications are made to round up odd-lot holdings to whole-lot holdings; and

(b) subject to availability of excess Rights Shares allocation under principle (a) above,

(1) in the case of over-subscription for the excess Rights Shares, the excess Rights Shares will be allocated to Qualifying Shareholders who have applied for excess Rights Shares in proportion to the Shares held by them at the Record Date, and with board allocations to be made on best effort basis, as the Directors consider that such allocation basis will provide the Shareholders with an opportunity to maintain their shareholding in the Company as at the Record Date; and

(2) in the case of under-subscription for the excess Rights Shares, the excess Rights Shares will be allocated to Qualifying Shareholders who have applied for excess Rights Shares based on the number of excess Rights Shares they have applied for, and with board allocations to be made on best effort basis.

Shareholders or potential investors should note that the number of excess Rights Shares which may be allocated to them may be different where they make applications for excess Rights Shares by different means, such as making applications on their own names as against through nominees who also hold Shares for other Shareholders/investors. The investors whose Shares are held by a nominee company should note that for the proposes of the principles above, the Board will regard the nominee company as a single Shareholder according to the register of members of the Company. Accordingly, the investors whose Shares are registered in the name of the nominee companies should note that the aforesaid arrangement in relation to be allocation of excess Rights Shares will not be extended to beneficial owners individually. Shareholders and investors should consult their professional advisers if they are in any doubt as to whether they should register their shareholding in their own names and apply for the excess Rights Shares themselves.

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms. No part of the securities of the Company is listed or dealt in or on which listing or permission to deal is being or is proposed to be sought on any other stock exchange. The fully-paid Rights Shares will commence dealing on 5th March, 2009.

Nil-paid Rights Shares are expected to be traded in board lots of 20,000 (as the Shares are currently traded on the Stock Exchange in board lots of 20,000). Dealings in the Rights Shares (in both nil-paid and fully-paid forms) will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

Subject to the granting of listing of, and permission to deal in, the Rights Shares on the Stock Exchange, the Rights Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Rights Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Irrevocable Undertakings

As at the Latest Practicable Date, Regal Power is interested in an aggregate 16,250,000 Shares, representing approximately 26.04% of the issued share capital of the Company. Mr. Lau is interested in an aggregate of 3,050,000 Shares, representing approximately 4.89% of the issued share capital of the Company. Pursuant to the Irrevocable Undertakings, each of Regal Power and Mr. Lau has severally and irrevocably undertaken to the Company and the other Underwriters that, subject to the Rights Issue not being terminated, (i) it/he will subscribe and lodge acceptance for the Rights Shares which will constitute the provisional allotment of Rights Shares in respect of the Consolidated Shares held by it/him pursuant to the terms of the Rights Issue; and (ii) it/he will not dispose of the Shares held by it/him from the date of the Underwriting Agreement to the close of business on the Record Date.

As at the Latest Practicable Date, save for Regal Power and Mr. Lau, the Board has not received any information from any Shareholders of their intention to take up the Rights Shares to be principally allotted to them.

Conditions of the Rights Issue

The Rights Issue is conditional upon the following:

(a) approval of the Rights Issue by the Independent Shareholders at the SGM;

(b) the delivery to the Stock Exchange and registration by the Registrar of Companies in Hong Kong respectively on or prior to the Posting Date of the Prospectus Documents in compliance with the Companies Ordinance (and all other documents required to be attached thereto) and the delivery and filing with the Registrar of Companies in Bermuda in accordance with the requirements of the Companies Act of the Prospectus Documents and otherwise complying with the requirements of the Companies Ordinance, the Companies Act and the Listing Rules;

(c) the posting on the Posting Date of copies of the Prospectus Documents to the Qualifying Shareholders;

(d) the provisional allotment of the Rights Shares to the Qualifying Shareholders by posting the Prospectus Documents to such holders no later than the Posting Date as well as the provisional allotment of the Rights Shares, which would be provisionally allotted to the Excluded Shareholders had they been Qualifying Shareholders, to a person nominated by the Company in nil-paid form by no later than the close of business on the Posting Date;

(e) the Listing Committee of the Stock Exchange granting approval for listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms either unconditionally or subject to such conditions which the Company accepts and the satisfaction of such conditions (if any and where relevant) by no later than the dates specified in such approval and not having withdrawn or revoked such listings and permission on or before 4:00 p.m. on the Latest Time for Termination;

(f) the Shares remaining listed on the Stock Exchange at all times prior to the Latest Time for Termination and the current listing of the Shares not having been withdrawn or the trading of the Shares not having been suspended for a consecutive period of more than 5 trading days (other than any suspension pending clearance of the Announcement) and no indication being received before 4:00 p.m. on the Latest Time for Termination from the Stock Exchange to the effect that such listing may be withdrawn or objected to (or conditions will or may be attached thereto) including but not limited to as a result of the Rights Issue or in connection with the terms of the Underwriting Agreement or for any other reason;

(g) the obligations of the Underwriters under the Underwriting Agreement not being terminated by the Underwriters in accordance with the terms thereof;

(h) if required, the consent or permission from the Bermuda Monetary Authority in respect of the issue of the Rights Shares;

(i) completion of the Share Consolidation; and

(j) compliance with and performance of all undertakings and obligations of each of Regal Power and Mr. Lau under the Irrevocable Undertakings.

In the event that the above conditions (other than condition (e) which cannot be waived) have not been satisfied and/or waived in whole or in part by the Underwriters on or before the Posting Date or in the event that the conditions (e) and (g) have not been satisfied on or before 4:00 p.m. on the Latest Time for Termination (or in each case, such later date as the Underwriters and the Company may agree), all liabilities of the parties to the Underwriting Agreement shall cease and determine and none of the parties shall have any claim against the other (excluding sub-underwriting fees and related expenses).

As at the Latest Practicable Date, conditions (a) and (i) have been fulfilled.

The Underwriting Agreement

Date	:	26th November, 2008.
Underwriters	:	1. Regal Power, a company which is beneficially and wholly owned by Mr. Chan. 2. Joy Glory, a company which is beneficially and wholly owned by Mr. Lau. 3. Head & Shoulders, a licensed corporation to carry on business in type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO. To the best of the Directors' knowledge and information, each of Joy Glory and Head & Shoulders and their respective ultimate beneficial owners is a third party independent of and not connected with the Company and its connected persons. Regal Power is a connected person of the Company under the Listing Rules. As arrangement has been made in relation to excess application in compliance with Rule 7.21 of the Listing Rules, the entering into of the Underwriting Agreement is exempted from the reporting, announcement and independent Shareholders' approval requirements pursuant to Rule 14A.31(3)(c) of the Listing Rules.
Number of Shares in issue	:	62,409,585 Shares
Number of Rights Shares	:	436,867,095 Rights Shares
Number of Rights Shares to be taken up by Regal Power and Mr. Lau pursuant to the Irrevocable Undertakings	:	Pursuant to the Irrevocable Undertakings, subject to the Rights Issue not being terminated, each of Regal Power and Mr. Lau has severally and irrevocably undertaken to take up all its/his entitlements under the Rights Issue being a maximum of 113,750,000 Rights Shares and 21,350,000 Rights Shares, respectively.

Total number of Underwritten Rights Shares	:	The Underwriters have conditionally agreed, pursuant to the Underwriting Agreement, to severally underwrite the balance of the Rights Shares (excluding the number of the Rights Shares agreed to be taken up by Regal Power and Mr. Lau pursuant to the Irrevocable Undertakings) not subscribed by the Shareholders on a fully underwritten basis, being an aggregate of 301,767,095 Rights Shares (of which (a) Regal Power as one of the Underwriters has agreed to underwrite not more than 18,500,000 Rights Shares in the first place provided that the total number of Shares held by Regal Power and its concert parties upon completion of the Rights Issue shall not exceed 29.99% of the total number of Shares in issue; (b) Joy Glory as one of the Underwriters has, subject to Regal Power first taking up its maximum permitted Underwritten Shares, agreed to underwrite not more than 72,000,000 Rights Shares in the second place provided that the total number of Shares held by Joy Glory and its concert parties upon completion of the Rights Issue shall not exceed 19.99% of the total number of Shares in issue; and (c) Head & Shoulders as one of the Underwriters has, subject to each of Regal Power and Joy Glory taking up their maximum permitted Underwritten Shares, agreed to underwrite the balance of not more than 211,267,095 Rights Shares).
Commission	:	2.5% of the aggregate Subscription Price in respect of the total number of Underwritten Shares for which the Underwriters have underwritten.

The entering into of the Underwriting Agreement between the Company and Regal Power is a connected transaction under the Listing Rules. As arrangement has been made in relation to excess application in compliance with Rule 7.21 of the Listing Rules, the entering into of the Underwriting Agreement is exempted from the reporting, announcement and independent Shareholders' approval requirements pursuant to Rule 14A.31(3)(c) of the Listing Rules.

The 2.5% commission payable to each of the Underwriters was determined after arm's length negotiations between the Company and the Underwriters based on normal commercial terms with reference to market rates. The commission payable by the Company to Regal Power for its Underwritten Shares of approximately HK$66,600 falls into a de minimis transaction under Rule 14A.31(2) of the Listing Rules and is exempted from the reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.31 of the Listing Rules.

Termination of the Underwriting Agreement

If prior to 4:00 p.m. on the Latest Time for Termination, in the reasonable opinion of Regal Power (for itself and on behalf of the Underwriters):

(a) the success of the Rights Issue would be affected by:

(i) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of Regal Power (for itself and on behalf of the Underwriters) materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Rights Issue; or

(ii) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national and international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may in the reasonable opinion of Regal Power (for itself and on behalf of the Underwriters) materially and adversely affect the business of the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Rights Issue or otherwise makes inexpedient or inadvisable to proceed with the Rights Issue; or

(iii) any material adverse change in the business or in the financial or trading position of the Group as a whole; or

(b) any material adverse change in market conditions (including without limitation, a change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or restriction or trading in securities) occurs which in the reasonable opinion of Regal Power (for itself and on behalf of the Underwriters) is likely to materially and adversely affect the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or

(c) the Prospectus when published contain information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the Listing Rules or any applicable regulations) which has not prior to the date hereof been publicly announced or published by the Company and which may in the reasonable opinion of Regal Power (for itself and on behalf of the Underwriters) is material to the Group as a whole and is likely to affect the success of the Rights Issue or might cause a prudent investor not to accept the Rights Shares provisionally allotted to it;

Regal Power (for itself and on behalf of the Underwriters) shall be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

Regal Power (for itself and on behalf of the Underwriters) shall be entitled by notice in writing to rescind the Underwriting Agreement if prior to the Latest Time for Termination:

(a) any material breach of any of the warranties or undertakings contained in the Underwriting Agreement comes to the knowledge of the Underwriters; or

(b) any event occurring or matter arising after the Underwriting Agreement but before the Latest Time for Termination which if it had occurred or arisen before the date of the Underwriting Agreement would have rendered any of the warranties in the Underwriting Agreement untrue or incorrect.

WARNING OF THE RISKS OF DEALING IN THE SHARES AND THE NIL-PAID RIGHTS SHARES

Existing Shares have been dealt with on an ex-rights basis from Friday, 30th January, 2009. The Rights Shares will be dealt with in their nil-paid form from Wednesday, 11th February, 2009 to Wednesday, 18th February, 2009 (both dates inclusive). If prior to 4:00 p.m. Thursday, 26th February, 2009 (or such later date as the Underwriters may agree with the Company), the Underwriters terminate the Underwriting Agreement (see sub-section headed "Termination of the Underwriting Agreement" above) or the conditions of the Rights Issue (see subsection headed "Conditions of the Rights Issue" above) cannot be fulfilled (or, if appropriate, waived), the Rights Issue will not proceed.

Any dealings in the Shares from the date of the Announcement up to the date on which all the conditions of the Rights Issue are fulfilled (or, if appropriate, waived), and any dealings in the Rights Shares in their nil-paid form between Wednesday, 11th February, 2009 to Wednesday, 18th February, 2009, both days inclusive, are accordingly subject to the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholders or other persons contemplating any dealings in the Shares or the Rights Shares in their nil-paid forms are recommended to consult their own professional advisers.

The Company will send the Prospectus Documents to all Qualifying Shareholders by Monday, 9th February, 2009.

SHAREHOLDING STRUCTURE OF THE COMPANY

The following is the shareholding structure of the Company immediately before and after completion of the Rights Issue:

	As at the Latest Practicable Date		Immediately after completion of Rights Issue (assuming no Qualifying Shareholders take up his/her/its entitlements under the Rights Issue, except that Regal Power and Mr. Lau take up all its entitlement being a maximum of 113,750,000 and 21,350,000 Rights Shares respectively)		Immediately after completion of the Rights Issue (assuming all Qualifying Shareholders take up their respective entitlements)	
	Shares	*%*	*Shares*	*%*	*Shares*	*%*
Regal Power *(Note 1)*	16,250,000	26.04	148,500,000	29.74	130,000,000	26.04
Joy Glory *(Note 2)*	3,050,000	4.89	96,400,000	19.31	24,400,000	4.89
Head & Shoulders *(Note 3)*	–	0	117,267,095	23.49	–	0
Billion Gain Development Limited *(Note 4)*	–	0	94,000,000	18.83	–	0
Public	43,109,585	69.07	43,109,585	8.63	344,876,680	69.07
TOTAL	62,409,585	100.00	499,276,680	100.00	499,276,680	100.00

Notes:

1. Regal Power is wholly and beneficially owned by Mr. Chan.

2. These 3,050,000 Shares are held by Mr. Lau, the ultimate beneficial owner of Joy Glory.

3. Head & Shoulders entered into various sub-underwriting agreements with independent third party sub-underwriters whereby such sub-underwriters have agreed to subscribe and/or procure subscribers to subscribe for Underwritten Shares, as a result of which the Company shall maintain a 25% public float after the allotment and issue of the Underwritten Shares to such sub-underwriters or subscribers. The Stock Exchange has indicated that no listing approval in respect of the Rights Shares will be given if, upon completion of the Rights Issue, less than 25% of the issued share capital of the Company is held in public hands.

4. Billion Gain Development Limited ("Billion Gain") is wholly and beneficially owned by Miss Beh Yong Shin, an Independent Third Party. Billion Gain had entered into an agreement with Head & Shoulders whereby Billion Gain has agreed, subject to the Underwriting Agreement becoming unconditional and each of Regal Power and Joy Glory taking up their maximum permitted Underwritten Shares, to subscribe for a maximum of 94,000,000 Underwritten Shares.

REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS

The principal activities of the Company is investment holding. The Group is principally engaged in the property investment, provision of loan financing, leasing of car parking spaces, short message services and trading of communication products.

The estimated net proceeds from the Rights Issue will be approximately HK$60.9 million. The Board intends to apply such proceeds from the Rights Issue for general working capital of the Group. However, as determined by the Board on 24th November, 2008, the Company had used the amounts raised from the placing of the Convertible Notes and the open offer as disclosed in the announcement of the Company dated 15th October, 2007 and 22nd July, 2008 respectively for the partial redemption of the Convertible Notes and as such will use the proceeds from the Rights Issue for the intended use of the previous fund raising exercises.

The estimated expense in relation to the Rights Issue, including financial, legal and other professional advisory fees, underwriting commission, printing and translation expenses, of approximately HK$2 million, will be borne by the Company. Having considered other fund raising alternatives for the Group, including bank borrowings and placing of new Shares, and taking into account the benefits and cost of each of the alternatives, the Rights Issue allows the Group to strengthen its balance sheet without facing the increasing interest rates. The Directors (including the independent non-executive Directors) considers that the Rights Issue is in the interests of the Company and the Shareholders as a whole as it offers all the Qualifying Shareholders an equal opportunity to participate in the enlargement of the capital base of the Company and enables the Qualifying Shareholders to maintain their proportionate interests in the Company and continue to participate in the future development of the Company should they wish to do so. **However, those Qualifying Shareholders who do not take up the Rights Shares to which they are entitled should note that their shareholdings in the Company will be diluted.**

FUND RAISING ACTIVITIES OF THE COMPANY IN THE LAST 12 MONTHS IMMEDIATELY PRECEDING THE ANNOUNCEMENT

The following table summaries the capital raising activities of the Group in the last 12 months immediately preceding the Announcement:

Date of announcement	Event	Net proceeds (approximately)	Intended use of proceeds	Actual use of proceeds
15th October, 2007	Placing of the Convertible Notes	HK$146,000,000	For general working capital of the Group	Partial of the net proceeds of approximately HK$60,000,000 will be used to redeem the Convertible Notes as determined by the Board on 24th November, 2008 and the balance of approximately HK$86,000,000 will be used for general working capital of the Group
22nd July, 2008	Open Offer of 416,063,901 Shares	HK$40,000,000	For general working capital of the Group	As determined by the Board on 24th November, 2008, all the net proceeds were used to redeem the partial of Convertible Notes on 26th November, 2008.

The Directors (including the independent non-executive Directors) consider that the Rights Issue is fair and reasonable and in the interests of the Company and the Shareholders as a whole having taken into account the terms of the Rights Issue and the fund raising activities conducted by the Company in the last 12 months immediately preceding the Announcement.

CONVERTIBLE NOTES

As disclosed in the announcement of the Company dated 18th December, 2008, the balance of the outstanding principal amount of the Convertible Notes of HK$108 million will be redeemed on or before 27th February, 2009. As at the Latest Practicable Date, save for the Convertible Notes of approximately HK$102 million, the Company has no derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares.

Each holder of the Convertible Notes shall have the right at any time after the date of the issue of the Convertible Notes to convert all or part of the principal amount of the Convertible Notes outstanding into new Shares as determined by dividing the principal amount of the relevant Convertible Notes outstanding at the time of conversion by the conversion price. Subject to the consent of the holders of the Convertible Notes, the Company shall be entitled at any time before maturity to redeem all or part of the outstanding principal amount of the Convertible Notes and no Shareholders' approval is required for such redemption under the terms and conditions constituting the Convertible Notes.

BUSINESS REVIEW AND PROSPECT OF THE GROUP

Rental income from investment properties and income from the business of short message services ("SMS") remain as the income stream of the Group. To diversify and strengthen the income base of the Group, businesses of leasing of car parking spaces and provision of loan financing have commenced, which in return provide additional income streams for the Group.

For the six months ended 30 September 2008, the Group recorded a turnover of HK$8,099,000 and a loss attributable to equity holders of the Company of HK$47,856,000 as compared to a turnover of HK$5,641,000 and a profit attributable to equity holders of the Company of HK$5,946,000 recorded for the last corresponding period in 2007. The loss attributable to equity holders of the Company for the period under review was mainly due to the deficit arising on revaluation of investment properties and impairment loss recognized in respect of available-for-sale financial assets.

Turnover of rental income, SMS business, leasing of car parking spaces, provision of loan financing and trading of communication products for the six months ended 30 September 2008 recorded of HK$2,177,000, HK$2,947,000, HK$1,754,999, HK$1,197,000 and HK$24,000 respectively. Taking into account of interest expenses of property mortgage, staff costs, general administration expenses, corporate expenses and other revenue mainly of bank interest income, the Group recorded a profit from operation of HK$747,000, compared with a gain of HK$9,140,000 for the corresponding period last year.

The available-for-sale financial assets of the Group mainly comprises of an investment in the business involved in the provision of outdoor media advertising and broadcasting networks and holding of about 6% issued share capital of Tomorrow International Holdings Limited, which is a company listed on the Stock Exchange. In consideration of the recent adverse financial market, unfavorable economic environment and the financial performance of the investment, the Group adopted a prudent approach and hence a provision of HK$22,500,000 was made in relation to the investment in the business of outdoor media advertising and broadcasting network. Moreover, based on the closing price of the listed share as at 30 September 2008, the value of the listed share decreased from HK$39,308,000 as at 31 March 2008 to approximately HK$21,058,000. Together with the deficit of HK$7,898,000 arising on revaluation of investment properties, the Group recorded a loss attributable to equity holders of the Company HK$47,856,000 for the six month period ended 30 September 2008.

The global economic conditions have deteriorated significantly in recent months and uncertainties lie ahead. To face with recent financial downturn, the Board will manage its businesses prudently and will review its investment portfolio from time to time so as to strengthen and enhance the value of the Group. It will place the Group in better position to cope with the current uncertain business environment. However, it is also likely that the new opportunities may emerge and the management remains cautiously optimistic about the Group's prospects.

On 16th July, 2008, the Group entered into an acquisition agreement to acquire the entire issued share capital of and the shareholders' loan of Million Good Group Limited ("Million Good"), which owns a property situated at House 26, Las Pinadas, 33 Shouson Hill Road, Hong Kong, for an aggregate consideration of HK$37,000,000. Under the acquisition agreement, part of the consideration in sum of HK$2,000,000 was paid and the balance of the consideration in the sum of HK$35,000,000 shall be paid to the vendors on or before 270 days from the date of completion of the acquisition together with interest at the rate of 4% per annum accrued from the date of completion of the acquisition to the date of actual payment. As a security for due payment of the balance of the consideration and the interest, a share charge over the shares of Million Good was executed and shares of Million Good were pledged in favour of the vendors. The acquisition was approved by Shareholders at the special general meeting of the Company held on 22nd September, 2008 and completed on 31st October, 2008.

On 8th August, 2008, the Group entered into a disposal agreement to dispose of the entire ordinary shares of and shareholders' loans of Oriental Gain Properties Limited, which owns various shops situated at Manly Plaza, Nos. 993 – 997 King's Road, Quarry Bay, Hong Kong, for an aggregate consideration of HK$42,900,000. The disposal was approved by Shareholders at the special general meeting of the Company held on 22nd September, 2008. However, as disclosed in the announcement of the Company dated 31st October, 2008, as additional time was required by the purchaser of the disposal agreement to arrange financing for completion of the disposal, a deed of variation was entered to extend the completion date to 31st January, 2009. In addition, if the purchaser fails to complete on or before 31st January, 2009, the purchaser shall pay in aggregate a monthly interest of HK$150,000 for the first month from 1st February, 2009 and HK$250,000 for each of the second, the third and the fourth month from 1st February, 2009 and thereafter at the monthly interest rate of 2.5% on the outstanding amount of the consideration payable for the disposal. To guarantee and secure the due and punctual payment and performance of the purchaser's obligation under the disposal agreement, Mr. Lai Yiu Keung, an executive Director, entered into a deed of guarantee and indemnity.

The investment strategy of the Group is reviewed and monitored frequently and the Group will take appropriate actions whenever necessary in response to changes in market situation. The Group will continue to identify and invest in projects which are expected to have good growth potential.

LISTING RULE IMPLICATIONS

As the Rights Issue will increase the issued share capital of the Company by more than 50%, under Rule 7.19(6)(a) of the Listing Rules, the Rights Issue requires the approval by the Independent Shareholders at the SGM by way of poll and any of the controlling Shareholders and their associates, or where there are no controlling Shareholders, Directors (excluding independent non-executive Directors) and chief executives and their respective associates shall abstain from voting in favour of the resolution approving the Rights Issue at the SGM. At the SGM held on 23rd January, 2009, the ordinary resolution approving the Rights Issue was duly passed by the Independent Shareholders by way of poll. As at the date of the SGM, the Company has no controlling Shareholders and no Directors had interest in the Shares. As such, no Shareholder is required to abstain, and had abstained, from voting in favour of the resolution to approve the Rights Issue at the SGM.

PROCEDURES FOR ACCEPTANCE

Qualifying Shareholders will find enclosed with this Prospectus a PAL which entitles Qualifying Shareholders to subscribe for the number of Rights Shares shown therein. If you wish to exercise your rights to subscribe for all the Rights Shares specified in the PAL, you will need to lodge the PAL in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance, with Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by no later than 4:00 p.m. on Monday, 23rd February, 2009. All remittances must be made in Hong Kong dollars. Cheques must be drawn on an account with, and cashier's orders must be issued by, a licensed bank in Hong Kong and made payable to "HYCOMM WIRELESS LIMITED – RIGHTS ISSUE ACCOUNT" and crossed "ACCOUNT PAYEE ONLY".

It should be noted that unless the duly completed PAL, together with the appropriate remittance, has been lodged with the Registrar by 4:00 p.m. on Monday, 23rd February, 2009, whether by the original allottee or any person to whom the rights have been validly transferred, the relevant provisional allotment and all rights and entitlement thereunder will be deemed to have been declined and will be cancelled and such Rights Shares will be available for application on EAF by Qualifying Shareholders.

If you wish to accept only part of your provisional allotment and/or to transfer a part of your rights to subscribe for the Rights Shares provisionally allotted or to transfer your rights to more than one person, the original PAL must be surrendered and lodged for cancellation by no later than 4:30 p.m. on Friday, 13th February, 2009, to Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong who will cancel the original PAL and issue new PAL in the denominations required, which will be available for collection at the Registrar after 9:00 a.m. on the second Business Day after your surrender of the original PAL.

The PAL contains further information regarding the procedures to be followed for acceptance and/or transfer of the whole or a part of your provisional allotment. All cheques and cashier's orders accompanying completed PAL will be presented for payment immediately upon receipt and all interest earned on such monies will be retained for the benefit of the Company. Completion and return of a PAL with a cheque or a cashier's order, whether by you or by any nominated transferee will constitute a warranty by the applicant that the cheque or the cashier's order will be honoured on first presentation. Without prejudice to the other rights of the Company in respect thereof, the Company reserves the right to reject any PAL in respect of which the accompanying cheque and/or cashier's order is dishonoured on first presentation, and, in such event, the relevant provisional allotment and all rights and entitlement given will be deemed to have been declined and will be cancelled.

If Regal Power (for itself and for and on behalf of the Underwriters) terminates the Underwriting Agreement before the Latest Time for Termination, the monies received in respect of acceptances of Rights Shares will be returned to the Qualifying Shareholders or such other persons to whom the nil-paid Rights Shares shall have been validly transferred without interest by means of cheques despatched by ordinary post to the respective addresses on the register of members at their own risk as soon as practicable thereafter.

Application for excess Rights Shares

Qualifying Shareholders may apply, by way of excess application, for any Rights Shares in provisional allotment of other Qualifying Shareholders but not applied for by them, any Rights Shares arising from the aggregation of fractional entitlements, if any, and any Rights Shares not offered to the Excluded Shareholders.

Application for excess Rights Shares should be made by completing the EAF enclosed with this Prospectus (if despatched to a Qualifying Shareholder) for excess Rights Shares and lodging the same with a separate remittance for the full amount payable in respect of the excess Rights Shares being applied for in accordance with the instructions printed thereon, with the registrar of the Company, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by not later than 4:00 p.m. on Monday, 23rd February, 2009. All remittances must be made in Hong Kong dollars and cheques must be drawn on an account with, or banker's cashier orders must be issued by, a licensed bank in Hong Kong and made payable to "HyComm Wireless Limited – Excess Application Account" and crossed "Account Payee Only". The Registrar will notify the Qualifying Shareholders of any allotment of the excess Rights Shares made to them.

It should be noted that unless the duly completed and signed EAF together with the appropriate remittance, have been lodged with the Registrar by not later than 4:00 p.m. on Monday, 23rd February, 2009, the EAF is liable to be rejected.

All cheques and cashier's orders will be presented for payment immediately following receipt and all interest earned on such monies will be retained for the benefit of the Company. Completion and return of the EAF together with a cheque or cashier's order in payment for the excess Rights Shares applied for will constitute a warranty by the applicant that the cheque or the cashier's order will be honoured on first presentation. If any cheque or cashier's order accompanying a completed EAF is dishonoured on first presentation, without prejudice to the other rights of the Company, such EAF is liable to be rejected.

The Qualifying Shareholder(s) will be notified of any allotment of excess Rights Shares made to him/her/it/them on or about Friday, 27th February, 2009 by way of announcement. If no excess Rights Shares are allotted to the Qualifying Shareholder(s) who has/have applied for excess Rights Shares, it is expected that a cheque for the amount tendered on application in full without interest will be posted to the Qualifying Shareholder's address on the register of members of the Company by ordinary post at his/her/its/their own risk on or before Tuesday, 3rd March, 2009. If the number of excess Rights Shares allotted to the Qualifying Shareholder(s) is less than that applied for, it is expected that a cheque for the amount of the surplus application monies, without interest, will be posted to the Qualifying Shareholder's address on the register of members of the Company without interest at the Qualifying Shareholder's own risk on or before Tuesday, 3rd March, 2009.

An EAF is for use only by the Qualifying Shareholder(s) to whom it is addressed and is not transferable. All documents, including cheques, will be despatched by ordinary post at the risk of the recipients to their address as appeared on the Company's register of members.

If Regal Power (for itself and for and on behalf of the Underwriters) terminates the Underwriting Agreement before the Latest Time for Termination, the monies received in respect of applications for excess Rights Shares will be returned to the applicants without interest by means of cheques despatched by ordinary post to their addresses on the register of members of the Company at the risk of such applicants as soon as practicable thereafter.

Taxation

Qualifying Shareholders are recommended to consult their professional adviser if they are in any doubt as to the taxation implications of any subscription, holding, disposal of or dealings in the Rights Shares. It is emphasised that none of the Company, the Directors or any other parties involved in the Rights Issue accepts responsibility for any tax effects or liabilities of the Qualifying Shareholders resulting from the subscription, holding, disposal of or dealings in the Rights Shares.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this Prospectus.

Yours faithfully,
For and on behalf of
HyComm Wireless Limited
Lai Yiu Keung
Chairman

1. SUMMARY OF CONSOLIDATED INCOME STATEMENT, BALANCE SHEET, STATEMENT OF CHANGES IN EQUITY AND CASH FLOW STATEMENT OF THE GROUP AS AT AND FOR EACH OF THE THREE YEARS ENDED 31ST MARCH, 2008

Set out below is a summary of the audited consolidated income statement, balance sheet, statement of changes in equity and cash flow statement of the Group as at and for each of the three years ended 31st March, 2008, as extracted from the Company's annual report for the year ended 31st March, 2006, 2007 and 2008.

CONSOLIDATED INCOME STATEMENT

	2008 *HK$'000*	2007 *HK$'000*	2006 *HK$'000*
Turnover	11,062	13,206	12,673
Other operating income	3,994	439	2,282
	15,056	13,645	14,955
Operating costs	(13,920)	(11,682)	(14,442)
Staff costs	(5,008)	(6,242)	(6,647)
Amortisation of prepaid lease payments	(40)	(71)	(71)
Surplus/(Deficit) arising from revaluation of investment properties	(8,100)	18,250	45,250
Surplus arising from revaluation of properties, plant and equipment	27	285	21
Impairment loss recognised in respect of interests in leasehold land held for own use under operating leases	–	(13,936)	–
Impairment loss recognised in respect of other assets	–	(336)	(505)
Impairment loss recognised in respect of goodwill	–	–	(2,212)
	(27,041)	(13,732)	21,394
Profit/(Loss) from operating activities	(11,985)	(87)	36,349
Profit on disposal of investment properties	–	–	5,793
Profit on disposal of rural land exploitation right	800	–	–
Profit on disposal of available-for-sale financial assets	17,880	–	–
Impairment loss recognised in respect of available-for-sale financial assets	(27,431)	–	–
Loss on disposal of a subsidiary	(44)	(480)	–
Finance costs	(7,641)	(6,815)	(6,321)
	(28,421)	(7,382)	35,821
Share of results of associates	(15)	(2)	(13)
Profit/(Loss) before taxation	(28,436)	(7,384)	35,808
Taxation	152	219	245
Profit/(Loss) for the year	(28,284)	(7,165)	36,053
Attributable to:			
Equity shareholders of the Company	(29,158)	(8,509)	35,377
Minority interests	874	1,344	676
Profit/(Loss) for the year	(28,284)	(7,165)	36,053
	Cents	*Cents*	*Cents*
Earnings/(Loss) per Share			
– Basic	(0.88)	(0.29)	1.19
– Diluted	(0.57)	–	–

CONSOLIDATED BALANCE SHEET

	2008 *HK$'000*	2007 *HK$'000*	2006 *HK$'000*
Non-current assets			
Investment properties	189,900	216,000	206,750
Properties, plant and equipment	5,844	7,600	4,944
Interests in leasehold land held for own use under operating leases	13,175	13,215	27,222
Interests in associates	1,965	2,812	1,769
Available-for-sale financial assets	61,808	13,537	2,650
	272,692	253,164	243,335
Current assets			
Receivables, deposits and prepayments	54,698	1,143	1,161
Bank and cash balances	201,917	642	282
	256,615	1,785	1,443
Current liabilities			
Payables and accrued charges	20,075	22,904	16,480
Deposits received	22,902	1,115	783
Amount due to former shareholders	–	–	4,295
Amount due to a director	11,805	17,244	416
Bank and other borrowings – due within one year	60,802	20,596	22,342
Taxes payable	1,422	1,148	1,167
	117,006	63,007	45,483
Net current assets/(liabilities)	139,609	(61,222)	(44,040)
Total assets less current liabilities	412,301	191,942	199,295
Non-current liabilities			
Bank and other borrowings – due after one year	59,030	72,255	83,111
Deferred tax liabilities	3,759	4,185	4,404
Convertible notes	137,674	–	–
	200,463	76,440	87,515
Net assets	211,838	115,502	111,780
Capital and reserves			
Share capital	416,064	298,064	298,064
Share premium and reserves	(207,383)	(184,845)	(187,223)
Total equity attributable to equity shareholders of the Company	208,681	113,219	110,841
Minority interests	3,157	2,283	939
Total equity	211,838	115,502	111,780

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	2008	2007	2006
	HK$'000	*HK$'000*	*HK$'000*
Total equity at beginning of the year	115,502	111,780	75,842
Net income/(expense) recognised directly in equity:			
Changes in fair value of available-for-sale financial assets	–	10,887	(115)
Net income/(expense) for the year recognised directly in equity	–	10,887	(115)
Transfers from equity:			
Transfer to income statement on disposal of available-for-sale financial assets	(10,772)	–	–
Profit/(Loss) for the year	(28,284)	(7,165)	36,053
Total recognised income and expense for the year	(39,056)	3,722	35,938
Attributable to:			
Equity shareholders of the Company	(39,930)	2,378	35,262
Minority interests	874	1,344	676
	(39,056)	3,722	35,938
Movements in equity arising from capital transactions:			
Shares issued	118,000	–	–
Increase in share premium	7,515	–	–
Equity component of convertible notes	9,877	–	–
	135,392	–	–
Total equity at end of the year	211,838	115,502	111,780

CONSOLIDATED CASH FLOW STATEMENT

	2008	2007	2006
	HK$'000	*HK$'000*	*HK$'000*
Cash flows from operating activities			
Profit/(Loss) before taxation	(28,436)	(7,384)	35,808
Adjustments for:			
Amortisation of prepaid lease payment	40	71	71
(Surplus)/Deficit arising from revaluation of:			
Investment properties	8,100	(18,250)	(45,250)
Properties, plant and equipment	(27)	(285)	(21)
Impairment loss recognised in respect of:			
Interests in leasehold land held for own use under operating leases	–	13,936	–
Other assets	–	336	505
Goodwill	–	–	2,212
Available-for-sale financial assets	27,431	–	–
Profit on disposal of:			
Investments in securities	–	–	(225)
Rural land exploitation right	(800)	–	–
Available-for-sale financial assets	(17,880)	–	–
Investment properties	–	–	(5,793)
Loss on disposal of a subsidiary	44	480	–
Share of results of associates	15	2	13
Interest expenses	7,641	6,815	6,321
Depreciation	1,902	2,514	4,014
Write off assets	–	–	11
Operating loss before working capital changes	(1,970)	(1,765)	(2,334)
Increase in receivables, deposits and prepayments	(639)	(1,363)	(696)
Increase/(decrease) in payables and accrued charges	(13,522)	2,732	(4,037)
Increase in deposits received	21,787	332	101
Increase/(decrease) in amount due to a director	(5,439)	16,828	416
Cash generated from/(used in) operations	217	16,764	(6,550)
Interest paid	(5,644)	(7,395)	(5,303)
Hong Kong Profits Tax paid	–	(19)	(74)
Net cash from/(used in) operating activities	(5,427)	9,350	(11,927)

	2008	2007	2006
	HK$'000	*HK$'000*	*HK$'000*
Cash flows from investing activities			
Purchases of properties, plant and equipment	(119)	(4,885)	(164)
Purchase of rural land exploitation right	(58,000)	–	–
Proceed from disposal of rural land exploitation right	5,880	–	–
Disposal of a subsidiary, net of cash and cash equivalents disposed of	17,960	8,497	–
Purchase of available-for-sale financial assets	(3,239)	–	–
Net proceeds from disposal of available-for-sale financial assets	31,417	–	–
Sale proceeds from disposal of investment in securities	–	–	225
Net sale proceeds from disposal of investment properties	–	–	17,793
Net cash from/(used in) investing activities	(6,101)	3,612	17,854
Cash flows from financing activities			
Net proceeds from issue of share capital	39,513	–	–
Net proceeds from issue of convertible notes	146,400	–	–
Repayment of bank borrowings	(8,463)	(12,974)	(8,102)
Proceeds from other borrowings	36,000	–	–
Repayment of other borrowings	(556)	(632)	(1,450)
Net cash from/(used in) financing activities	212,894	(13,606)	(9,552)
Net increase/(decrease) in cash and cash equivalents	201,366	(644)	(3,625)
Cash and cash equivalents at beginning of the year	(11,315)	(10,671)	(7,046)
Cash and cash equivalents at end of the year	190,051	(11,315)	(10,671)
Analysis of cash and cash equivalents			
Bank and cash balances	201,917	642	282
Bank overdrafts	(11,866)	(11,957)	(10,953)
	190,051	(11,315)	(10,671)

2. FINANCIAL STATEMENTS OF THE GROUP

Set out below are the full text of the audited financial statements of the Group for the year ended 31st March, 2008 as extracted from the 2008 annual report of the Company.

CONSOLIDATED INCOME STATEMENT

Year ended 31st March, 2008

	Notes	**2008** *HK$'000*	**2007** *HK$'000*
Turnover	*4*	11,062	13,206
Other operating income	*5*	3,994	439
		15,056	13,645
Operating costs		(13,920)	(11,682)
Staff costs	*6(a)*	(5,008)	(6,242)
Amortisation of prepaid lease payments	*14*	(40)	(71)
Surplus/(Deficit) arising from revaluation of investment properties	*12*	(8,100)	18,250
Surplus arising from revaluation of properties, plant and equipment	*13*	27	285
Impairment loss recognised in respect of interests in leasehold land held for own use under operating leases	*14*	–	(13,936)
Impairment loss recognised in respect of other assets		–	(336)
		(27,041)	(13,732)
Loss from operating activities	*6*	(11,985)	(87)
Profit on disposal of rural land exploitation right	*18*	800	–
Profit on disposal of available-for-sale financial assets		17,880	–
Impairment loss recognised in respect of available-for-sale financial assets	*17*	(27,431)	–
Loss on disposal of a subsidiary	*29*	(44)	(480)
Finance costs	*7*	(7,641)	(6,815)
		(28,421)	(7,382)
Share of results of associates	*16*	(15)	(2)
Loss before taxation		(28,436)	(7,384)
Taxation	*9*	152	219
Loss for the year		(28,284)	(7,165)
Attributable to:			
Equity shareholders of the Company	*27*	(29,158)	(8,509)
Minority interests	*27*	874	1,344
Loss for the year		(28,284)	(7,165)
		Cents	*Cents*
Loss per share			
Basic	*11*	(0.88)	(0.29)
Diluted	*11*	(0.57)	–

CONSOLIDATED BALANCE SHEET

At 31st March, 2008

	Notes	2008 HK$'000	2007 HK$'000
Non-current assets			
Investment properties	12	189,900	216,000
Properties, plant and equipment	13	5,844	7,600
Interests in leasehold land held for own use under operating leases	14	13,175	13,215
Interests in associates	16	1,965	2,812
Available-for-sale financial assets	17	61,808	13,537
		272,692	253,164
Current assets			
Receivables, deposits and prepayments	19	54,698	1,143
Bank and cash balances		201,917	642
		256,615	1,785
Current liabilities			
Payables and accrued charges	20	20,075	22,904
Deposits received	21	22,902	1,115
Amount due to a director	33(a)	11,805	17,244
Bank and other borrowings – due within one year	22	60,802	20,596
Taxes payable		1,422	1,148
		117,006	63,007
Net current assets/(liabilities)		139,609	(61,222)
Total assets less current liabilities		412,301	191,942

	Notes	2008 HK$'000	2007 HK$'000
Non-current liabilities			
Bank borrowings – due after one year	22	59,030	72,255
Deferred tax liabilities	28	3,759	4,185
Convertible notes	24	137,674	–
		200,463	76,440
Net assets		211,838	115,502
Capital and reserves			
Share capital	25	416,064	298,064
Share premium and reserves	27	(207,383)	(184,845)
Total equity attributable to equity shareholders of the Company		208,681	113,219
Minority interests	27	3,157	2,283
Total equity		211,838	115,502

BALANCE SHEET

At 31st March, 2008

	Notes	2008 HK$'000	2007 HK$'000
Non-current assets			
Interests in subsidiaries	15	302,855	117,266
Current assets			
Deposits and prepayments	19	52,920	–
Bank and cash balances		52,607	15
		105,527	15
Current liabilities			
Payables and accrued charges	20	4,007	4,062
Deposits received	21	21,420	–
Amount due to a director	33(a)	600	–
Bank and other borrowings			
– due within one year	22	36,000	–
		62,027	4,062
Net current assets/(liabilities)		43,500	(4,047)
Total assets less current liabilities		346,355	113,219
Non-current liabilities			
Convertible notes	24	137,674	–
Net assets		208,681	113,219
Capital and reserves			
Share capital	25	416,064	298,064
Share premium and reserves	27	(207,383)	(184,845)
Total equity		208,681	113,219

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31st March, 2008

		2008		2007	
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total equity at beginning of the year			115,502		111,780
Net income recognised directly in equity:					
Changes in fair value of available-for-sale financial assets	27		–		10,887
Net income for the year recognised directly in equity			–		10,887
Transfers from equity:					
Transfer to income statement on disposal of available-for-sale financial assets	27		(10,772)		–
Loss for the year	27		(28,284)		(7,165)
Total recognised income and expense for the year			(39,056)		3,722
Attributable to:					
Equity shareholders of the Company		(39,930)		2,378	
Minority interests	27	874		1,344	
		(39,056)		3,722	
Movements in equity arising from capital transactions:					
Shares issued	25		118,000		–
Increase in share premium	27		7,515		–
Equity component of convertible notes	24		9,877		–
			135,392		–
Total equity at end of the year			211,838		115,502

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31st March, 2008

	Notes	2008 HK$'000	2007 HK$'000
Cash flows from operating activities			
Loss before taxation		(28,436)	(7,384)
Adjustments for:			
Amortisation of prepaid lease payment		40	71
(Surplus)/Deficit arising from revaluation of:			
Investment properties		8,100	(18,250)
Properties, plant and equipment		(27)	(285)
Impairment loss recognised in respect of:			
Interests in leasehold land held for own use under operating leases		–	13,936
Other assets		–	336
Available-for-sale financial assets		27,431	–
Profit on disposal of:			
Rural land exploitation right		(800)	–
Available-for-sale financial assets		(17,880)	–
Loss on disposal of a subsidiary	29	44	480
Share of results of associates		15	2
Interest expenses		7,641	6,815
Depreciation		1,902	2,514
Operating loss before working capital changes		(1,970)	(1,765)
Increase in receivables, deposits and prepayments		(639)	(1,363)
Increase/(decrease) in payables and accrued charges		(13,522)	2,732
Increase in deposits received		21,787	332
Increase/(decrease) in amount due to a director		(5,439)	16,828
Cash generated from operations		217	16,764
Interest paid		(5,644)	(7,395)
Hong Kong Profits Tax paid		–	(19)
Net cash from/(used in) operating activities		(5,427)	9,350

	Notes	2008 HK$'000	2007 HK$'000
Cash flows from investing activities			
Purchases of properties, plant and equipment		(119)	(4,885)
Purchase of rural land exploitation right	18	(58,000)	–
Proceed from disposal of rural land exploitation right		5,880	–
Disposal of a subsidiary, net of cash and cash equivalents disposed of	29	17,960	8,497
Purchase of available-for-sale financial assets		(3,239)	–
Net proceeds from disposal of available-for-sale financial assets		31,417	–
Net cash from/(used in) investing activities		(6,101)	3,612
Cash flows from financing activities			
Net proceeds from issue of share capital		39,513	–
Net proceeds from issue of convertible notes		146,400	–
Repayment of bank borrowings		(8,463)	(12,974)
Proceeds from other borrowings		36,000	–
Repayment of other borrowings		(556)	(632)
Net cash from/(used in) financing activities		212,894	(13,606)
Net increase/(decrease) in cash and cash equivalents		201,366	(644)
Cash and cash equivalents at beginning of the year		(11,315)	(10,671)
Cash and cash equivalents at end of the year		190,051	(11,315)
Analysis of cash and cash equivalents			
Bank and cash balances		201,917	642
Bank overdrafts	22	(11,866)	(11,957)
		190,051	(11,315)

Notes to the Financial Statements

Year ended 31st March, 2008

1. GENERAL

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

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries are set out in note 38 to the financial statements.

2. CHANGES IN ACCOUNTING POLICIES

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

The Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued a number of new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), which is a collective term that includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations that are first effective or available for early adoption for the current accounting period of the Group and the Company.

There have been no significant changes to the accounting policies applied in the financial statements for the years presented as a result of these developments. However, as a result of the adoption of HKFRS 7, Financial instruments: Disclosures and the amendments to HKAS 1, Presentation of financial statements: Capital disclosures, there have been some additional disclosures provided as set out below.

As a result of the adoption of HKFRS 7, the financial statements include expanded disclosures given the significance of the Group's financial instruments and the nature and extent of risks arising from those instruments, compared with the information previously required to be disclosed by HKAS 32, Financial instruments: Disclosure and presentation. These disclosures are set out in note 36.

The amendment to HKAS 1 introduces additional disclosure requirements to provide information about the level of capital and the Group's and the Company's objectives, policies and processes for managing capital. These new disclosures are set out in note 35.

Both HKFRS 7 and the amendment to HKAS 1 do not have any material impact on the classification, recognition and measurement of the amounts recognised in the financial statements.

The Group has not applied any new standards or interpretations that are not yet effective for the current accounting period.

(b) Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31st March, 2008

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and new interpretations which are not yet effective for the year ended 31st March, 2008 and which have not been adopted in these financial statements.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far, it has concluded that their adoption is unlikely to have a significant impact on the Group's result of operations and financial position.

HKAS 1 (Revised), *Presentation of Financial Statements* requires all owner changes in equity to be presented in a statement of changes in equity. All comprehensive income is presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). It requires presenting a statement of financial position as at the beginning of the earliest comparative period in a complete set of financial statements when there are retrospective adjustments or reclassification adjustments. However, it does not change the recognition, measurement or disclosure of specific transactions and other events required by other HKFRSs.

HKAS 23 (Amendment), *Borrowing Costs* requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing such borrowing costs will be thereby no longer be available.

HKFRS 8, *Operating Segments* requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes.

All of the above amendments and standards will be effective for annual periods beginning on or after 1st January, 2009.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with HKFRSs issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange. A summary of the significant accounting policies adopted by the Group is set out below.

(b) Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair values as explained in the accounting policies set out below:

– Investment properties (note 3k);

– Buildings (note 3l); and

– Financial assets classified as available-for-sale (note 3p)

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

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

Judgments made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are set out in note 37.

(c) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in associates made up to 31st March, each year.

(d) Subsidiaries and minority interests

A subsidiary is a company in which the Group, directly or indirectly, holds more than half of the issued share capital or controls more than half of the voting power or controls the composition of the board of directors. Subsidiaries are considered to be controlled if the Company has the power, directly or indirectly, to govern the financial and operating policies so as to obtain benefits from their activities.

An investment in a controlled subsidiary is included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances and transactions together with any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised profits but only to the extent that there is no evidence of impairment.

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the Company.

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

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses.

(e) Associates

An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition changes in the Group's share of the associate's net assets. The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of associates for the year, including any impairment losses on goodwill relating to the investments in associates recognised for the year.

When the Group's share of losses exceeds its interest in an associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Group's interest in the associate is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interests in associates, except where unrealised losses provide evidence of an impairment of the assets transferred, in which case they are recognised immediately in the income statement.

(f) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts.

Impairment losses for bad and doubtful debts are recognised when there is objective evidence of impairment and are measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the asset's original effective interest rate where the effect of discounting is material. Objective evidence of impairment includes observable data that comes to the attention of the Group about events that have an impact on the asset's estimated future cash flows as significant financial difficulty of the debtor.

Impairment losses for trade debtors and bills receivable included within trade and other receivables whose recovery is considered doubtful but not remote are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in the income statement.

(g) Interest-bearing borrowings

Interest-bearing borrowings are initially recognised at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in the income statement over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(h) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 3q, trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(i) Convertible notes

Convertible notes that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

At initial recognition the liability component of the convertible notes is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in the income statement on the liability component is calculated using the effective interest method. The equity component is recognised in the capital reserve until either the note is converted or redeemed.

If the note is converted, the capital reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the note is redeemed, the capital reserve is released directly to retained profits.

(j) Goodwill

Goodwill represents the excess of the cost of a business combination or an investment in an associate over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the interest in the associate.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination or an investment in an associate is recognised immediately in the income statement.

On disposal of a cash generating unit or an associate during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(k) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use.

Investment properties are stated in the balance sheet at fair value. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in the income statement. Rental income from investment properties is accounted for as described in note 3y.

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property. Any such property interest which has been classified as investment property is accounted for as if it were held under a finance lease, and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases.

Property that is being constructed or developed for future use as investment property is classified as properties, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified as investment property at fair value. Any difference between the fair value of the property at that date and its previous carrying amount is recognised in the income statement.

(l) Properties, plant and equipment

Properties, plant and equipment other than buildings are stated at cost less accumulated depreciation and impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after properties, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement for the period in which it is incurred.

Buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the balance sheet at their revalued amounts, being the fair values at the date of revaluation, less any subsequent accumulated depreciation and accumulated impairment losses. Revaluations are performed with sufficient regularity that the carrying amounts do not differ materially from those which would be determined using fair values at the balance sheet date.

Any revaluation increase arising from the revaluation of such buildings is credited to the properties revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in the income statement, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in carrying amount arising from the revaluation of such buildings is charged to the income statement to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is charged to the income statement. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings/deficit.

The gain or loss arising from the disposal or retirement of an item of properties, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Depreciation is calculated to write off the cost or valuation of properties, plant and equipment, less their estimated residual value, if any, using the straight-line method, at the following rates per annum:

Buildings	2%
Furniture, fixtures and equipment	20–30%
Motor vehicles	20–30%

Both the useful life of an asset and its residual value, if any, are reviewed annually.

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. 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.

(n) Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that these assets have suffered an impairment loss. In addition, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, 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 is increased to the revised estimate of its recoverable amount but only to the extent the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(o) Intangible assets (other than goodwill)

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour and an appropriate proportion of overheads. Capitalised development costs are stated at cost less accumulated amortisation and impairment losses. Other development expenditure is recognised as an expense in the period in which it is incurred.

Rural land exploitation right and other intangible assets that are acquired by the Group are stated in the balance sheet at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses. Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Subsequent expenditure on an intangible asset after its purchase or its completion is recognised as an expense when it is incurred unless it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance and this expenditure can be measured and attributed to the asset reliably. If these conditions are met, the subsequent expenditure is added to the cost of the intangible asset.

(p) Other investments in debt and equity securities

The Group's and the Company's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and jointly controlled entities, are set out below.

Investments in debt and equity securities are initially stated at cost, which are their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as set out below, depending on their classification.

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in the income statement as incurred. At each balance sheet date the fair value is remeasured, with any resultant gains or losses being recognised in the income statement.

Dated debt securities that the Group and/or the Company have the positive ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are stated in the balance sheet at amortised cost less impairment losses.

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the balance sheet at cost less impairment losses.

Other investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised directly in equity, except foreign exchange gains and losses resulting from changes in the amortised cost of monetary items such as debt securities which are recognised directly in the income statement. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in the income statement. When these investments are derecognised or impaired, the cumulative gain or loss previously recognised directly in equity is recognised in the income statement.

Investments are recognised/derecognised on the date the Group and/or the Company commits to purchase/sell the investments or they expire.

(q) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in the income statement on initial recognition of any deferred income.

The amount initially recognised as deferred income is amortised in the income statement over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 3(q)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

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

(r) Taxation

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movement in deferred tax assets and liabilities are recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Tax rates enacted or substantively enacted at the balance sheet date are used to determine deferred tax.

Deferred tax liabilities are provided in full on all taxable temporary differences while deferred tax assets are recognised to the extent it is probable that future taxable profits will be available against which the temporary differences can be utilised.

A deferred tax asset is also recognised for the carryforward of unused tax losses to the extent that it is probable that taxable profits will be available against which the carryforward of the unused tax losses can be utilised.

(s) Borrowing costs

Borrowing costs are expensed in the income statement in the period in which they are incurred, except to the extent they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowings costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

(t) Foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in the income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair values are translated using the foreign exchange rates ruling at the dates the fair values were determined.

(u) Employee benefits

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

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

(v) Segment reporting

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

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and properties, plant and equipment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, tax balances, and corporate and financing expenses.

(w) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases.

Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms.

Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Land lease prepayments are stated at cost less accumulated amortisation and any impairment, and are amortised over the remaining lease terms on the straight-line basis to the income statement.

(x) Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is a subsidiary, an associate of the Company and the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of the key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individual;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individual; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(y) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue can be measured reliably, revenue is recognised in the income statement as follows:

(i) Sales of goods are recognised when goods are delivered and title has passed.

(ii) Rental income, including rentals invoiced in advance from properties let under operating leases, is recognised on the straight-line basis over the terms of the relevant leases.

(iii) Interest income is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.

(iv) Service fee income is recognised as revenue when inter-operator short message services are rendered.

4. TURNOVER AND SEGMENT INFORMATION

Turnover represents the amount received and receivable for rentals, goods sold to outside customers and Short Message Services ("SMS") provided for the year, and is analysed as follows:

	2008	**2007**
	HK$'000	*HK$'000*
Property rental income	4,934	5,556
SMS	5,983	7,323
Sale of goods	145	327
	11,062	13,206

Business segments

For management purposes, the Group is organised into three operating divisions, namely, leasing of properties, SMS and sale of goods. These divisions are the basis on which the Group reports its primary segment information as set out below.

Consolidated income statement for the year ended 31st March, 2008

	SMS	Leasing of properties	Sale of goods	Unallocated items	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER					
External sales	5,983	4,934	145	–	11,062
Inter-segment sales	–	–	–	–	–
Total turnover	5,983	4,934	145	–	11,062
RESULTS					
Segment results	2,407	(303)	(1,617)		487
Unallocated other income				3,719	3,719
Amortisation of prepaid lease payments		(16)		(24)	(40)
Deficit arising from revaluation of investment properties		(8,100)			(8,100)
Surplus arising from revaluation of properties, plant and equipment		15		12	27
Unallocated corporate expenses				(8,078)	(8,078)
Loss from operating activities					(11,985)
Profit on disposal of rural land exploitation right				800	800
Profit on disposal of available-for-sale financial assets				17,880	17,880
Impairment loss recognised in respect of available-for-sale financial assets				(27,431)	(27,431)
Loss on disposal of a subsidiary				(44)	(44)
Finance costs		(5,478)		(2,163)	(7,641)
Share of results of associates	(15)				(15)
Loss before taxation					(28,436)
Taxation		426		(274)	152
Loss for the year					(28,284)
Attributable to:					
Equity shareholders of the Company					(29,158)
Minority interests					874
					(28,284)
OTHER INFORMATION					
Depreciation	38	1,822	30	12	1,902
ASSETS					
Segment assets	2,817	214,888	326		218,031
Unallocated corporate assets				311,276	311,276
Consolidated total assets					529,307
LIABILITIES					
Segment liabilities	818	87,039	1,137		88,994
Unallocated corporate liabilities				228,475	228,475
Consolidated total liabilities					317,469

Consolidated income statement for the year ended 31st March, 2007

	SMS	Leasing of properties	Sale of goods	Unallocated items	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER					
External sales	7,323	5,556	327	–	13,206
Inter-segment sales	–	–	–	–	–
Total turnover	7,323	5,556	327	–	13,206
RESULTS					
Segment results	3,361	1,217	(1,670)		2,908
Unallocated other income				23	23
Amortisation of prepaid lease payments				(71)	(71)
Surplus arising from revaluation of investment properties		18,250			18,250
Surplus arising from revaluation of properties, plant and equipment		129	156		285
Impairment loss recognised in respect of interests in leasehold land held for own use under operating leases				(13,936)	(13,936)
Impairment loss recognised in respect of other assets			(336)		(336)
Unallocated corporate expenses				(7,210)	(7,210)
Loss from operating activities					(87)
Loss on disposal of a subsidiary		(480)			(480)
Finance costs		(6,815)			(6,815)
Share of results of associates	(2)				(2)
Loss before taxation					(7,384)
Taxation		219			219
Loss for the year					(7,165)
Attributable to:					
Equity shareholders of the Company					(8,509)
Minority interests					1,344
					(7,165)
OTHER INFORMATION					
Depreciation	1,611	874	21	8	2,514
ASSETS					
Segment assets	3,114	224,924	406		228,444
Unallocated corporate assets				26,505	26,505
Consolidated total assets					254,949
LIABILITIES					
Segment liabilities	258	99,517	1,029		100,804
Unallocated corporate liabilities				38,643	38,643
Consolidated total liabilities					139,447

Geographical segments

Most of the property activities of the Group are based in Hong Kong and most of the Group's turnover and loss before taxation are mainly derived from Hong Kong.

5. OTHER OPERATING INCOME

	2008	**2007**
	HK$'000	*HK$'000*
Bank interest income	2,402	–
Interest income on financial assets not at fair value through the income statement	2,402	–
Gains on foreign exchange	1,315	–
Miscellaneous	277	439
	3,994	439

6. LOSS FROM OPERATING ACTIVITIES

	2008	**2007**
	HK$'000	*HK$'000*
Loss from operating activities is arrived at after charging:		
(a) Staff costs		
Salaries, bonuses and awards (including directors' emoluments)	4,938	6,146
Contributions to defined contribution plan	66	87
Staff welfare	4	9
	5,008	6,242
(b) Other items		
Auditor's remuneration		
– audit services	695	495
– other services	171	–
Depreciation	1,902	2,514
Operating lease charges in respect of rented premises	1,154	1,154
and after crediting:		
Rental income, net of outgoings	2,333	2,946

7. FINANCE COSTS

	2008	**2007**
	HK$'000	*HK$'000*
Finance costs comprise interest on:		
Bank borrowings wholly repayable within five years	3,643	4,406
Bank borrowings not wholly repayable within five years	1,818	2,353
Other borrowings	2,180	56
Total interest expense on financial liabilities not at fair value through the income statement	7,641	6,815

8. DIRECTORS' EMOLUMENTS AND HIGHEST PAID INDIVIDUALS

Directors' emoluments

Directors' emoluments disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance are as follows:

	Directors' fees		Salaries, allowances and benefits in kind		MPF contributions		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors								
Lai Yiu Keung	–	–	2,400	2,400	12	12	2,412	2,412
Chung Lai Ha	–	–	540	720	9	12	549	732
Kwok Chong, Anthony	–	–	455	600	9	12	464	612
Lai Man Kon	–	–	180	240	–	–	180	240
Liu Shun Chuen	–	–	–	–	–	–	–	–
Yeung Sau Chung	–	–	–	–	–	–	–	–
Wan Tak Wing, Peter	–	–	–	–	–	–	–	–
Non-executive director								
Ho Yee Lin, Elaine	–	–	–	–	–	–	–	–
Independent non-executive directors								
Li Mow Ming, Sonny	180	240	–	–	–	–	180	240
Ng Wai Hung	90	120	–	–	–	–	90	120
Chan Kwok Kay	90	120	–	–	–	–	90	120
Wu Wang Li	–	–	–	–	–	–	–	–
Ng Wai Hung	–	–	–	–	–	–	–	–
Jacobsen William Keith	–	–	–	–	–	–	–	–
Tam Chi Ling, Elaine	–	–	–	–	–	–	–	–
	360	480	3,575	3,960	30	36	3,965	4,476

The remuneration of the directors is within the following band:

	2008 Number of directors	2007 Number of directors
Up to HK$1,000,000	6	6
HK$1,000,001 to HK$2,500,000	1	1

Highest paid individuals

The five highest paid individuals of the Group included three (2007: four) executive directors, details of whose emoluments are set out above. The emoluments of the remaining two (2007: one) highest paid individuals, other than executive directors of the Company, are as follows:

	2008	2007
	HK$'000	*HK$'000*
Salaries and allowances	695	650
MPF contributions	24	12
	719	662

The emoluments of each of the highest paid individuals who are not executive directors of the Company were within the band of HK$ nil to HK$1,000,000 in both years.

9. TAXATION

(a) Taxation in the consolidated income statement represents:

	2008 *HK$'000*	2007 *HK$'000*
The charge comprises:		
Hong Kong profits tax – provision for the year	274	–
Deferred tax – origination and reversal of temporary differences	(426)	(219)
	(152)	(219)

The provision for Hong Kong profits tax is calculated at 17.5% of the estimated assessable profits for the year.

(b) Reconciliation between taxation and loss before taxation at applicable tax rates:

	2008 *HK$'000*	2008 *%*	2007 *HK$'000*	2007 *%*
Loss before taxation	(28,436)		(7,384)	
Notional tax on loss before taxation, calculated at the statutory rates of 17.5%	(4,976)	17.5	(1,292)	17.5
Tax effect of non-deductible expenses	6,827	(24.0)	113	(1.5)
Tax effect of non-taxable revenue	(1,306)	4.6	(3,232)	43.8
Tax effect of unused tax losses not recognised	734	(2.6)	2,235	(30.3)
Tax effect of prior year tax losses utilised this year	(151)	0.5	(855)	11.6
Tax effect of temporary differences not recognised	(1,280)	4.5	2,812	(38.1)
Taxation for the year	(152)	0.5	(219)	3.0

10. LOSS ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated loss attributable to equity holders of the Company includes a loss of HK$39,930,000 (2007: HK$2,378,000) which has been dealt with in the financial statements of the Company.

11. LOSS PER SHARE

(a) Basic loss per share

The calculation of the basic loss per share for the year ended 31st March, 2008 is based on the loss attributable to equity shareholders of the Company of approximately HK$29,158,000 (2007: HK$8,509,000) divided by the weighted average number of 3,326,185,463 shares (2007: 2,980,639,015 shares) in issue during the year.

Weighted average number of ordinary shares

	2008	2007
	'000	*'000*
Issued ordinary shares at 1st April,	2,980,639	2,980,639
Effect of new share placement *(note 25)*	199,344	–
Effect of issue of shares *(note 25)*	146,202	–
	3,326,185	2,980,639

(b) Diluted loss per share

The calculation of diluted loss per share for the year ended 31st March, 2008 is based on the loss attributable to equity shareholders of the Company of approximately HK$27,426,000 divided by the weighted average number of 4,826,185,463 shares in issue during the year.

Diluted loss per share for the year ended 31st March, 2007 has not been presented as there was no potentially dilutive ordinary shares in existence during the year.

Loss attributable to equity shareholders of the Company (diluted)

	2008
	HK$'000
Loss attributable to equity shareholders	29,158
After tax effect of effective interest on the liability component of convertible notes	(1,732)
	27,426

Weighted average number of ordinary shares (diluted)

	2008
	'000
Weighted average number of ordinary shares at 31st March,	3,326,185
Effect of conversion of convertible notes *(note 24)*	1,500,000
Weighted average number of ordinary shares (diluted) at 31st March,	4,826,185

12. INVESTMENT PROPERTIES

The Group

	2008	**2007**
	HK$'000	*HK$'000*
At valuation		
At beginning of the year	216,000	206,750
Disposal *(note 29)*	(18,000)	(9,000)
Surplus/(Deficit) arising from revaluation	(8,100)	18,250
At end of the year	189,900	216,000

The investment properties are situated in Hong Kong and are held under long-term leases. They were revalued at 31st March, 2008 by CB Richard Ellis Limited, an independent firm of professional valuers, on the open market basis subject to existing tenancies with reference to net rent derived from the existing tenancies as at 31st March, 2008. These valuations gave rise to a revaluation deficit of HK$8,100,000 which has been charged to the income statement. The investment properties are leased out for rental purposes under operating leases.

13. PROPERTIES, PLANT AND EQUIPMENT

The Group	**Buildings**	**Furniture, fixtures and equipment**	**Motor vehicles**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cost or Valuation				
At 1st April, 2006	739	19,980	1,866	22,585
Additions	–	4,885	–	4,885
Surplus arising from revaluation	285	–	–	285
Less: Elimination of accumulated depreciation	(19)	–	–	(19)
At 31st March, 2007	1,005	24,865	1,866	27,736
Comprising:				
At cost	–	24,865	1,866	26,731
At valuation – 2007	1,005	–	–	1,005
	1,005	24,865	1,866	27,736
Depreciation				
At 1st April, 2006	–	15,775	1,866	17,641
Charge for the year	19	2,495	–	2,514
Eliminated upon revaluation	(19)	–	–	(19)
At 31st March, 2007	–	18,270	1,866	20,136
Net Book Values				
At 31st March, 2007	1,005	6,595	–	7,600
Cost or Valuation				
At 1st April, 2007	1,005	24,865	1,866	27,736
Additions	–	119	–	119
Surplus arising from revaluation	27	–	–	27
Less: Elimination of accumulated depreciation	(27)	–	–	(27)
At 31st March, 2008	1,005	24,984	1,866	27,855
Comprising:				
At cost	–	24,984	1,866	26,850
At valuation – 2008	1,005	–	–	1,005
	1,005	24,984	1,866	27,855
Depreciation				
At 1st April, 2007	–	18,270	1,866	20,136
Charge for the year	27	1,875	–	1,902
Eliminated upon revaluation	(27)	–	–	(27)
At 31st March, 2008	–	20,145	1,866	22,011
Net Book Values				
At 31st March, 2008	1,005	4,839	–	5,844

The buildings were revalued as at 31st March, 2008 by CB Richard Ellis Limited, an independent firm of professional valuers, on the open market basis subject to vacant possession with reference to comparable transactions as at 31st March, 2008.

At 31st March, 2008, had the buildings not been revalued and been carried at historical cost less accumulated depreciation and amortisation, their carrying value would have been approximately HK$1,040,000 (2007: HK$1,070,000).

The buildings are analysed as follows:

	2008	**2007**
	HK$'000	*HK$'000*
Situated in Hong Kong held under long-term leases	55	55
Situated in Hong Kong held under medium-term leases	950	950
	1,005	1,005

14. INTERESTS IN LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASES

	The Group	
	2008	**2007**
	HK$'000	*HK$'000*
Cost or Valuation		
Prepaid lease payment	28,032	28,032
Impairment loss recognised	(14,561)	(13,936)
Less: Elimination of amortisation	–	(625)
	13,471	13,471
Amortisation		
At beginning of the year	256	810
Amortisation for the year	40	71
Less: Eliminated upon recognition of impairment loss	–	(625)
At end of the year	296	256
Carrying value	13,175	13,215

The interests in leasehold land held for own use under operating leases are analysed as follows:

	2008	**2007**
	HK$'000	*HK$'000*
Land situated in Hong Kong held under long-term leases	12,200	12,215
Land situated in Hong Kong held under medium-term leases	975	1,000
	13,175	13,215

15. INTERESTS IN SUBSIDIARIES

	The Company	
	2008	2007
	HK$'000	*HK$'000*
Unlisted shares	610,354	610,354
Amounts due from subsidiaries	744,800	522,151
	1,355,154	1,132,505
Impairment losses recognised	(1,052,299)	(1,015,239)
	302,855	117,266

The recorded value of the unlisted shares is based on the underlying net tangible assets of the subsidiaries at the time they became members of the Group pursuant to the Group reorganisation in 1997.

The aggregate impairment loss position recognised at 31st March, 2008 has been determined by the directors with reference to the carrying amounts of the underlying properties held by subsidiaries.

Particulars of the subsidiaries as at 31st March, 2008 are set out in note 38.

16. INTERESTS IN ASSOCIATES

	The Group	
	2008	2007
	HK$'000	*HK$'000*
Investments, at cost	1	1
Share of results of associates	(10)	5
Share of net assets/(liabilities)	(9)	6
Amount due from an associate	1,975	2,807
Amount due to an associate	(1)	(1)
	1,965	2,812

Particulars of the associates as at 31st March, 2008 are set out in note 39.

	Assets	Liabilities	Equity	Revenues	Profit/(loss)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2008					
100 per cent	1,979	2,000	(21)	6,168	(32)
Group's effective interest	970	980	(10)	3,022	(15)
2007					
100 per cent	2,836	2,825	11	7,513	(3)
Group's effective interest	1,390	1,384	6	3,681	(2)

17. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	The Group	
	2008	**2007**
	HK$'000	*HK$'000*
Unlisted	27,000	–
Listed shares in Hong Kong	62,239	2,765
Fair value adjustment	(27,431)	10,772
Fair value of individually impaired available-for-sale financial assets	61,808	13,537
Market value of listed shares	39,308	13,537

As at 31st March, 2008, the Group's available-for-sale financial assets were individually determined to be impaired on the basis of declines in their fair values below cost and adverse changes in the market in which the investees operate which indicate that the cost of the Group's investments in such assets may not be recovered. Impairment losses on the investments are recognised in the income statement.

Particulars of the available-for-sale financial assets of the Group are as follows:

Name of companies	Place of incorporation	Type of securities	Proportion of nominal value of issued share capital held
2008			
Tomorrow International Holdings Limited	Bermuda	Ordinary shares	6%
Corning Investments Limited	BVI	Ordinary shares	7.5%
2007			
Inno-Tech Holdings Limited	Bermuda	Ordinary shares	7%

(a) Tomorrow International Holdings Limited was listed on the Stock Exchange on 8th August, 1995 with Stock Code 760.

(b) Corning Investments Limited is a private limited liability company incorporated in BVI and is principally engaged in the business of provision of outdoor media advertising and broadcasting network. During the year ended 31st March, 2008, the Group assessed whether there was any objective evidence that the fair value would be impaired. In view of the significant decrease in estimated future cash flows owing to changes in revenue base of this available-for-sale financial assets, the Group determined to make an impairment by approximately HK$4.5 million.

(c) Inno-Tech Holdings Limited ("Inno-Tech") was listed on the Growth Enterprise Market of the Stock Exchange on 12th August, 2002. The amount stated in the available-for-sale financial assets as at 31st March, 2007 represented the carrying value of the Group's investment in Inno-Tech. The Group disposed of all of its shares in Inno-Tech during the year ended 31st March, 2008.

18. INTANGIBLE ASSETS

	The Group Rural land exploitation right
	HK$'000
Cost	
At 1st April, 2007	–
Additions	58,000
Disposals	(58,000)
At 31st March, 2008	–

(a) On 27th July, 2007, the Company entered into an agreement to acquire the exploitation right to operate and harvest timber on land located in Guangdong Province, PRC, for a consideration of HK$58,000,000.

(b) On 6th March, 2008, the Company entered into an agreement to dispose of its rural land exploitation right for a consideration of HK$58,800,000. The Company is of the opinion that there are uncertainties as to the prospects for the business associated with the right as a result of certain variable, unforeseeable and unpredictable factors have occurred such as significant snow storm in Mainland China.

19. RECEIVABLES, DEPOSITS AND PREPAYMENTS

		The Group		The Company	
		2008	**2007**	**2008**	**2007**
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	*(a) & (b)*	242	204	–	–
Deposits and prepayments		1,094	454	–	–
Other receivables	*(c)*	52,920	–	52,920	–
Amounts due from related companies	*(d)*	442	485	–	–
Loans and receivables		54,698	1,143	52,920	–

(a) The Group maintains defined credit policies. For the sale of goods, the Group allows an average credit period of 30 days to its trade customers. Rentals receivable from tenants and service income receivable from customers are payable on presentation of invoices. The aging analysis of trade receivables is as follows:

	The Group	
	2008	**2007**
	HK$'000	*HK$'000*
Current	168	98
One to three months overdue	43	104
Over three months overdue	31	2
	242	204

All of the trade receivables are expected to be recovered within one year.

(b) Trade receivables that are not impaired

	The Group	
	2008	**2007**
	HK$'000	*HK$'000*
Neither past due nor impaired	26	37
Less than one month overdue	135	38
One to three months overdue	33	33
Over three months overdue	48	96
	242	204

Receivables neither past due nor impaired relate to a wide range of customers for whom there has been no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowances are necessary in respect of these balances as there have been no significant changes in credit quality and the balances are still considered fully recoverable despite the Group not holding any collateral over the balances.

(c) Other receivables represents the sale price in respect of the disposal of the rural land exploitation right as referred to note 18.

(d) Particulars of the amounts due from related companies, disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance, are as follows:

Name of related company	**Balance at 31th March, 2008**	**Balance at 31th March, 2007**	**Maximum amount outstanding during the year**
	HK$'000	*HK$'000*	*HK$'000*
Plotio Investment (HK) Limited	146	137	146
Plotio Property Consultants Limited	–	52	52
Plotio Property and Management Company Limited	296	296	296
	442	485	

The amounts due are unsecured, interest-free and repayable on demand.

20. PAYABLES AND ACCRUED CHARGES

		The Group		The Company	
		2008	**2007**	**2008**	**2007**
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	*(a)*	4,819	4,770	–	–
Accrued charges		9,174	12,005	4,007	4,062
Amounts due to related companies	*(b)*	1,787	1,834	–	–
Amounts due to former shareholders	*(b)*	4,295	4,295	–	–
Financial liabilities measured at amortised cost		20,075	22,904	4,007	4,062

(a) The aging analysis of trade payables is as follows:

	The Group	
	2008	**2007**
	HK$'000	*HK$'000*
Within one month	4	108
Over one month but less than three months	–	113
Over three months	4,815	4,549
	4,819	4,770

(b) The amounts due are unsecured, interest-free and have no fixed terms of repayment. The amounts are due to former shareholders of the Group and related companies in which Mr Lai Yiu Keung has beneficial interests.

21. DEPOSITS RECEIVED

(a) On 18th December, 2007, the Group entered into an agreement to sell the entire issued share capital of one of its wholly-owned subsidiaries for a consideration of HK$55,500,000. Included in deposits received is an amount of HK$20,000,000, representing the initial deposit placed by the purchaser according to the sale and purchase agreement. The disposal transaction was completed on 30th April, 2008.

(b) On 22nd and 24th December, 2007, the Group entered into agreements to sell the entire share capital of three of its wholly-owned subsidiaries for a consideration of HK$10,000,000 and HK$4,200,000 respectively. Included in deposits received is an amount of HK$1,420,000, representing the initial deposits placed by the purchasers according to the sale and purchase agreements. The disposal transactions are to be completed in the next financial year.

22. BANK AND OTHER BORROWINGS

	The Group		The Company	
	2008	2007	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Borrowings comprise:				
Bank loans	71,966	80,338	–	–
Bank overdrafts	11,866	11,957	–	–
Other borrowings	36,000	556	36,000	–
	119,832	92,851	36,000	–
The borrowings are repayable as follows:				
Within one year or on demand	60,802	20,596	36,000	–
More than one year, but not exceeding two years	13,588	12,621	–	–
More than two years, but not exceeding five years	45,032	52,621	–	–
More than five years	410	7,013	–	–
	119,832	92,851	36,000	–
Less: Amount due within one year or on demand included in current liabilities	(60,802)	(20,596)	(36,000)	–
Amount due after one year	59,030	72,255	–	–

(a) All borrowings are fully secured. Details of the assets pledged are set out in note 23.

(b) The other borrowings as at 31st March, 2008 were secured by the second legal charges over certain of the Group's investment properties amounted to HK$187,000,000. It is interest-bearing with interest being charged at 8% per annum, and was fully repaid on May 2008.

23. PLEDGE OF ASSETS

The Group

(a) At 31st March, 2008, the Group's bank borrowings were secured by the following:

(i) first legal charges over the investment properties of HK$189,900,000 (2007: HK$198,000,000);

(ii) the interest in share capital of a subsidiary;

(iii) assignment of rental income generated from certain investment properties;

(iv) floating charges on all the existing and future asset undertakings of a subsidiary;

(v) assignments of the rights, titles, interests and benefits in and under all the existing and future building contracts in respect of certain of its interests in leasehold land held for own use under operating leases;

(vi) the benefits under all insurance policies of certain of its interests in leasehold land held for own use under operating leases;

(vii) assignment of sale proceeds from sales of investment properties; and

(viii) subordination of shareholders' loans of a subsidiary.

(b) At 31st March, 2007, the Group had pledged certain of its interests in leasehold land held for own use under operating leases amounting to approximately HK$12,000,000 to banks to secure general banking facilities and credit facilities granted to certain former subsidiaries in which Mr Lai Yiu Keung has beneficial interests. The total amount of facilities utilised by these former subsidiaries amounted to approximately HK$5,029,000. The pledge was released during the year ended 31st March, 2008 of when the banking borrowings were repaid by the Company's former subsidiaries.

24. CONVERTIBLE NOTES

HK$150,000,000 secured convertible notes were issued by the Company on 4th February, 2008. Each note entitles the holder to convert one ordinary share at a conversion price of HK$0.10. Conversion may occur at any time between 4th February, 2008 to 3rd February, 2011. The Company can redeem the notes at a value equal to 105% of the principal amount. Interest of 5% per annum will be paid annually in arrear.

The convertible notes contains two components identified as the liability and equity elements. The equity component is reported in the equity section under the heading "Capital Reserve". The effective interest rate for the liability component is 5.291%.

An analysis of the movements in the liability component of the convertible notes during the year ended 31st March, 2008 are as set out below:

	The Group and the Company
	HK$'000
Proceeds of issue	150,000
Equity component	(9,877)
	140,123
Transaction cost	(3,451)
Interest expense	1,002
At end of the year	137,674

25. SHARE CAPITAL

	Number of shares		Amount	
	2008	**2007**	**2008**	**2007**
			HK$'000	*HK$'000*
Shares of HK$0.10 each				
Authorised:				
At beginning of the year	6,000,000,000	6,000,000,000	600,000	600,000
Increase during the year *(note (i))*	14,000,000,000	–	1,400,000	–
At end of the year	20,000,000,000	6,000,000,000	2,000,000	600,000
Issued and fully paid:				
At beginning of the year	2,980,639,015	2,980,639,015	298,064	298,064
New share placement *(note (ii))*	320,000,000	–	32,000	–
Issue of shares				
– *(note (iii))*	270,000,000	–	27,000	–
– *(note (iv))*	590,000,000	–	59,000	–
At end of the year	4,160,639,015	2,980,639,015	416,064	298,064

Notes:

(i) Pursuant to a resolution passed at a special general meeting of the Company held on 16th November, 2007, the authorised ordinary share capital of the Company was increased from HK$600,000,000 to HK$2,000,000,000 by the creation of an additional 14,000,000,000 ordinary shares of HK$0.10 each.

(ii) On 3rd August, 2007, the share capital of the Company was increased to HK$330,064,000 following the placement of 320,000,000 new shares at a price of HK$0.126 each.

(iii) On 18th September, 2007, the Company increased its share capital to HK$357,064,000 by issuing 270,000,000 new shares at HK$0.10 each as consideration shares to acquire 7.5% equity interest in Corning Investments Limited.

(iv) On 30th March, 2008, the Company increased its share capital to HK$416,064,000 by issuing 590,000,000 new shares at HK$0.10 each as consideration shares to acquire 5.8% equity interest in Tomorrow International Holdings Limited.

26. SHARE OPTIONS

The Company's original share option scheme was adopted on 15th September, 1997 for the primary purpose of providing incentives to employees of the Group. Pursuant to a resolution passed at a special general meeting of the shareholders held on 15th July, 2002, the Company terminated the old scheme and adopted a new share option scheme.

There were no outstanding options granted under the old or the new schemes at the beginning and end of the year. In addition, there were no options granted to, or exercised by, any eligible employees during the year.

27. SHARE PREMIUM AND RESERVES

	Share Premium *HK$'000*	Surplus account *HK$'000*	Capital reserve *HK$'000*	Fair value reserve *HK$'000*	Deficit *HK$'000*	Total *HK$'000*	Minority interest *HK$'000*	Total *HK$'000*
The Group								
At 1st April, 2006	491,426	255,025	–	(115)	(933,559)	(187,223)	939	(186,284)
Changes in fair value of available-for-sale financial assets	–	–	–	10,887	–	10,887	–	10,887
Profit/(loss) for the year	–	–	–	–	(8,509)	(8,509)	1,344	(7,165)
At 31st March, 2007	491,426	255,025	–	10,772	(942,068)	(184,845)	2,283	(182,562)
At 1st April, 2007	491,426	255,025	–	10,772	(942,068)	(184,845)	2,283	(182,562)
Issue of convertible notes	–	–	9,877	–	–	9,877	–	9,877
Placement of new shares	7,515	–	–	–	–	7,515	–	7,515
Transfer to income statement upon disposal of available-for-sale financial assets	–	–	–	(10,772)	–	(10,772)	–	(10,772)
Profit/(loss) for the year	–	–	–	–	(29,158)	(29,158)	874	(28,284)
At 31st March, 2008	498,941	255,025	9,877	–	(971,226)	(207,383)	3,157	(204,226)

	Share premium *HK$'000*	Capital Reserve *HK$'000*	Contributed surplus *HK$'000*	Deficit *HK$'000*	Total *HK$'000*
The Company					
At 1st April, 2006	491,426	–	555,303	(1,233,952)	(187,223)
Profit for the year	–	–	–	2,378	2,378
At 31st March, 2007	491,426	–	555,303	(1,231,574)	(184,845)
At 1st April, 2007	491,426	–	555,303	(1,231,574)	(184,845)
Issue of convertible notes	–	9,877	–	–	9,877
Placement of new shares	7,515	–	–	–	7,515
Loss for the year	–	–	–	(39,930)	(39,930)
At 31st March, 2008	498,941	9,877	555,303	(1,271,504)	(207,383)

(i) The surplus account represents the difference between the nominal amount of the share capital issued by the Company and the aggregate of the nominal amount of the issued share capital and other reserve accounts of Plotio Limited, the subsidiary which was acquired by the Company pursuant to the Group reorganisation in 1997.

(ii) The contributed surplus of the Company represents the difference between the consolidated shareholders funds of Plotio Limited at the date on which the Group reorganisation became effective and the nominal amount of the share capital of the Company issued under the Group reorganisation in 1997.

Under the Companies Act 1981 of Bermuda (as amended), contributed surplus is also available for distribution to shareholders. However, a company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if:

(a) the company is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) 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.

(iii) The capital reserve reflects the value of the unexercised equity component of the convertible notes issued by the Company recognised in accordance with the accounting policy adopted for such debt as set out in note 3(i).

(iv) The fair value reserve represents the cumulative net change in the fair value of available-for-sale financial assets held at the balance sheet date and is dealt with in accordance with the accounting policies detailed in note 3(p).

In the opinion of the directors, as at 31st March, 2007 and 31st March, 2008, the Company did not have any reserves available for distribution to shareholders.

28. DEFERRED TAX LIABILITIES

The components of deferred tax liabilities provided in the balance sheet and the movements during the year are as follows:

	Accelerated tax depreciation	**Tax losses**	**PRC land appreciation**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1st April, 2006	2,753	(1,349)	3,000	4,404
Deferred tax credited to income statement *(note 9(a))*	393	(612)	–	(219)
At 31st March, 2007	3,146	(1,961)	3,000	4,185
At 1st April, 2007	3,146	(1,961)	3,000	4,185
Deferred tax credited to income statement *(note 9(a))*	210	(636)	–	(426)
At 31st March, 2008	3,356	(2,597)	3,000	3,759

29. DISPOSAL OF A SUBSIDIARY

	2008	2007
	HK$'000	*HK$'000*
Net assets disposed of:		
Investment properties	18,000	9,000
Debtors and prepayments	4	–
Bank and cash balances	40	3
Payables and accrued charges	–	(23)
Net assets disposed of	18,044	8,980
Loss on disposal	(44)	(480)
	18,000	8,500
Consideration satisfied by:		
Cash consideration	18,000	8,500
Net cash inflow arising on disposal:		
Sales proceeds from disposal	18,000	8,500
Bank and cash balances disposed of	(40)	(3)
	17,960	8,497

The subsidiary disposed of during 2008 contributed a profit of HK$50,300 (2007: loss of HK$10,930) to the Group's operating results for the year.

30. RETIREMENT BENEFIT SCHEME

With effect from 1st December, 2000, the Group joined a mandatory provident fund scheme (the "MPF Scheme") for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of independent trustees.

Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group in respect of the MPF Scheme is to make the required contributions specified therein.

The retirement benefit scheme contributions charged to the consolidated income statement represent contributions payable by the Group at rates specified in the rules of the MPF Scheme. During the year, the retirement benefit scheme contributions, net of forfeited contributions utilised, if any, amounted to approximately HK$830,000 (2007: HK$1,091,000).

At the balance sheet date, the Group had no significant forfeited contributions available to reduce contributions payable by the Group in future years.

31. OPERATING LEASE COMMITMENTS

The Group as lessee

Operating lease payments represent rentals payable by the Group for office premises of subsidiaries. Leases are negotiated for average terms of two years and rentals are fixed for such two year terms.

At 31st March, 2008, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases amounting to HK$232,000 (2007: HK$840,000) in respect of rented premises which fall due within one year.

Property rental income earned during the year was approximately HK$4,934,000 (2007: HK$5,556,000). Certain properties held have committed tenants for the next two years. At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due:

	The Group	
	2008	**2007**
	HK$'000	*HK$'000*
Within one year	3,527	1,432
After one year but within five years	1,041	242
	4,568	1,674

32. CONTINGENT LIABILITIES

(a) Financial guarantees issued

At 31st March, 2008, the Company had outstanding unlimited guarantees and a corporate guarantee given in favour of banks amounting to approximately HK$120,000,000 (2007: HK$120,000,000) to secure general banking facilities granted to subsidiaries. The total amount of facilities utilised by the subsidiaries as at 31st March, 2008 amounted to approximately HK$83,832,000 (2007: HK$92,295,000).

(b) Contingent liability in respect of legal claim

On 17th May, 2008, a writ was filed by Mr Yung Yu Ping, the seller of the rural land exploitation right to the Company, in respect of a claim for non-payment of consideration payment. The total consideration for the rural land exploitation right is HK$58,000,000. The Company filed a defence on 10th July, 2008. These financial statements did not make any provision in respect of this claim owing to the uncertainties and unforeseeable outcome of the case.

33. RELATED PARTY TRANSACTIONS

(a) The Group entered into the following transactions with related parties during the year and has the following balances with related parties as at 31st March, 2008:

(I) Transactions

		Service income received		Rental paid		Service fees paid		Architectural, structural, material and electrical service fees paid		Insurance premiums paid	
		2008	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Plotio Property and Management Company Limited	*(i)*	11	113	–	–	(2,253)	(2,253)	–	–	–	–
Plotio Investment (HK) Limited	*(i)*	57	54	(984)	(984)	–	–	–	–	–	–
Plotio Property Consultants Limited	*(i)*	8	113	–	–	(433)	(467)	–	–	–	–
Lee Wai Engineering Company Limited	*(i)*	8	–	–	–	–	–	(142)	(192)	–	–
Keung Kee Cleaning Services Company Limited	*(i)*	–	3	–	–	(26)	(27)	–	–	–	–
Monchase Underwriters Limited	*(i)*	–	–	–	–	–	–	–	–	(48)	(49)
Plotio Development Consultants Limited	*(i)*	1	–	–	–	–	–	–	–	–	–

(II) Balances

		Amounts due from related parties	
		2008	**2007**
	Notes	*HK$'000*	*HK$'000*
Plotio Property and Management Company Limited	*(i) & (ii)*	296	296
Plotio Investment (HK) Limited	*(i) & (ii)*	146	137
Plotio Property Consultants Limited	*(i) & (ii)*	–	52

	Notes	Amounts due to related parties 2008 HK$'000	2007 HK$'000
Keung Kee Cleaning Services Company Limited	(i) & (iii)	4	2
Lee Wai Engineering Company Limited	(i) & (iii)	102	102
Monchase Underwriters Limited	(i) & (iii)	–	14
Plotio Development Consultants Limited	(i) & (iii)	40	40
Plotio Investment (HK) Limited	(i) & (iii)	246	82
Plotio Property Consultants Limited	(i) & (iii)	210	237
Plotio Property & Management Company Limited	(i) & (iii)	1,185	1,357

		Amounts due to a director			
		The Group		**The Company**	
		2008	**2007**	**2008**	**2007**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Mr Lai Yiu Keung	*(iii)*	11,805	17,244	600	–

Notes:

(i) Plotio Property and Management Company Limited, Plotio Investments (HK) Limited, Plotio Property Consultants Limited, Lee Wai Engineering Company Limited, Keung Kee Cleaning Services Company Limited, Monchase Underwriters Limited and Plotio Development Consultants Limited are former subsidiaries of the Group in which Mr Lai Yiu Keung ("Mr Lai") has beneficial interests. The amount of service fees paid to Plotio Property and Management Company Limited for the year ended 31st March, 2008 represented gross building management fees of which approximately HK$228,000 (2007: HK$228,000) was paid in respect of building manager remuneration.

The above transactions were carried out at prevailing market prices or, where no market prices were available, at terms agreed by the parties involved.

(ii) The amount due from a related party is unsecured, interest-free and repayable on demand. The amount due is included in the balance of "Receivables, deposits and prepayments" in the consolidated balance sheet.

(iii) The amount due is unsecured, interest-free and has no fixed terms of repayment.

(b) At 31st March, 2008, the Group had specific assets pledged, in favour of certain banks to secure general banking facilities granted to certain former subsidiaries which were disposed of to Mr Lai in previous years. Details of the assets pledged are set out in note 23.

(c) At 31st March, 2008, Mr Lai had an outstanding personal guarantee given in favour of a bank to secure general banking facilities granted to the Group amounting to approximately HK$56,000,000. The facilities utilised at 31st March, 2008 amounted to approximately HK$42,000,000.

34. POST BALANCE SHEET EVENTS

(a) The disposal of entire issued share capital of a subsidiary in consideration of HK$55,500,000 was completed on April 2008.

(b) The Company put forward a capital reorganization proposal involving the following changes to the capital structure of the Company:

(i) Capital Reduction: that the issued shares be reduced by cancelling the Company's paid-up capital thereof to the extent of HK$0.099 for each issued share so that the nominal value of each share will be reduced from HK$0.1 each to HK$0.001 each;

(ii) Subdivision: upon the Capital Reduction becoming effective, the Company will effect the Subdivision pursuant to which each authorised but unissued share will be subdivided into 100 shares of HK$0.001 each; and

(iii) Share Premium Cancellation: that the amount of HK$411,903,262.48 standing to the credit of the share premium account of the Company as at 31st March, 2007 be cancelled.

The amounts arising from the Capital Reduction and Share Premium Cancellation be applied to the contributed surplus account of the Company where it will be utilised by the Board in accordance with the bye-laws of the Company and all applicable laws, including to eliminate the deficit of the Company of HK$1,231,574,000 as at 31st March, 2007 entirely.

The capital reorganisation was approved by shareholders of the Company on 2nd June, 2008 and became effective on 2nd July, 2008.

(c) On 22nd July, 2008, the Company announced that it proposed to consolidate five shares into one consolidated share. Upon the share consolidation becomes effective, the Company proposed to raise funds with net proceeds of approximately of HK$40 million by way of an open offer on the basis of one offer share for every two consolidated shares at a price of HK$0.1 each per offer share. An underwriting agreement was signed between the Company and the underwriters (Regal Power Investments Limited and Head & Shoulders Securities Limited). The underwriters have conditionally agreed to underwrite, on a fully underwritten basis, all the offer shares not being taken up. Moreover, the Company also proposed to acquire the entire issued share capital and shareholder loan of Million Good Group Limited, which holds a property at House 26, Las Pinadas, 33 Shouson Hill Road, Hong Kong in consideration of HK$37,000,000, which will be settled by the Company in cash. The acquisition constitutes a major transaction and subject to shareholders approval. A circular in relation to the share consolidation and the major transaction will be sent to shareholders as soon as possible.

35. CAPITAL MANAGEMENT

The Group's primary objectives when managing capital are to safeguard the Group's ability to operate as going concerns, so the Group can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in the light of changes in economic conditions.

Consistent with industry practice, the Group monitors its capital structure on the basis of a net debt-to-equity ratio. For this purpose the Group defines net debt as total debt (which includes interest-bearing loans and borrowings, trade and other payables and obligations under finance leases) less cash and cash equivalents.

During 2008, the Group's strategy targeted to reduce the net Group's debt-to-equity ratio to below 75%. The Group has issued new shares and raised new debt financing by issuing convertible notes during the year.

The net debt-to-equity ratio at 31st March, 2008 and 2007 was as follows:

	The Group		**The Company**	
	2008	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Current liabilities				
Payable and accruals charges	20,075	22,904	4,007	4,062
Deposits received	22,902	1,115	21,420	–
Amount due to a director	11,805	17,244	600	–
Bank and other borrowings				
– due within one year	60,802	20,596	36,000	–
Taxes payables	1,422	1,148	–	–
	117,006	63,007	62,027	4,062
Non-current liabilities				
Bank and other borrowings				
– due after one year	59,030	72,255	–	–
Deferred tax liabilities	3,759	4,185	–	–
Convertible notes	137,674	–	137,674	–
Total debt	317,469	139,447	199,701	4,062
Less: Cash and cash equivalents	(201,917)	(642)	(52,607)	–
Net debt	115,552	138,805	147,094	4,062
Total equity	211,838	115,502	208,681	113,219
Net debt-to-equity ratio	54.5%	120.2%	70.5%	3.6%

Neither the company nor any of its subsidiaries are subject to externally imposed capital requirements.

36. FINANCIAL RISK MANAGEMENT

Exposure to credit, liquidity and interest rate risks arises in the normal course of the Group's business.

These risks are limited by the Group's financial management policies and practices described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30 days from the date of billing. Debtors with balances that are more than 90 months past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. At the balance sheet date, the Group has an element of concentration of credit risk as 5% of the total trade and other receivables was due from the Group's five largest customers.

The maximum exposure to credit risk, without taking into account any collateral helds is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet after deducting any impairment allowance.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 19.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the balance sheet date of the Group's liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group is required to pay:

	2008						2007					
	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Group												
Payable and accruals charges	20,075	20,075	20,075	–	–	–	22,904	22,904	22,904	–	–	–
Deposits received	22,902	22,902	22,902	–	–	–	1,115	1,115	1,115	–	–	–
Amount due to a director	11,805	11,805	11,805	–	–	–	17,244	17,244	17,244	–	–	–
Bank and other borrowings												
– due within one year	119,832	119,832	60,802	13,588	45,032	410	92,851	92,851	20,596	12,621	52,621	7,013
Taxes payables	1,422	1,422	1,422	–	–	–	1,148	1,148	1,148	–	–	–
Deferred tax liabilities	3,759	3,759	–	3,759	–	–	4,185	4,185	–	4,185	–	–
Convertible notes	137,674	137,674	–	–	137,674	–	–	–	–	–	–	–
	317,469	317,469	117,006	17,347	182,706	410	139,447	139,447	63,007	16,806	52,621	7,013
Company												
Payable and accruals charges	4,007	4,007	4,007	–	–	–	4,062	4,062	4,062	–	–	–
Deposits received	21,420	21,420	21,420	–	–	–	–	–	–	–	–	–
Amount due to a director	600	600	600	–	–	–	–	–	–	–	–	–
Bank and other borrowings												
– due within one year	36,000	36,000	36,000	–	–	–	–	–	–	–	–	–
Convertible notes	137,674	137,674	–	–	137,674	–	–	–	–	–	–	–
	199,701	199,701	62,027	–	137,674	–	4,062	4,062	4,062	–	–	–

(c) Interest rate risk

The Group's interest rate risk arises primarily from long-term borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk, respectively. The Group adopts a policy of ensuring that over 50% of its net borrowings are effectively on a fixed rate basis, either through the contractual terms of the interest-bearing financial assets and liabilities or through the use of interest rate swaps. For this purpose the Group defines "net borrowings" as being interest-bearing financial liabilities less interest-bearing investments (excluding cash held for short-term working capital purposes). The Group's interest rate profile as monitored by management is set out below.

(i) Interest rate profile

	The Group				The Company			
	2008		2007		2008		2007	
	Effective interest rate		Effective interest rate		Effective interest rate		Effective interest rate	
	%	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*
Net fixed rate borrowings								
Other borrowings	6.060%	36,000	10.1%	556	8.000%	36,000	n/a	n/a
Convertible notes	5.291%	137,674	n/a	n/a	5.291%	137,674	n/a	n/a
Variable rate borrowings								
Bank borrowing	6.51%	83,832	7.32%	92,295	n/a	n/a	n/a	n/a
Total net borrowings		257,506		92,851		173,674		–
Net fixed rate borrowings as a percentage of total net borrowings		67%		1%		100%		n/a

(ii) Sensitivity analysis

At 31st March, 2008, it is estimated that a general increase of 100 basis points in interest rates, with all other variables held constant, would increase the Group's loss after tax and deficit by approximately $839,000 (2007: $923,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2007.

(d) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31st March, 2008 and 2007.

(e) Estimation of fair values

The following summarizes the major methods and assumptions used in estimating the fair values of financial instruments set out in note 36(d) above.

(i) Securities

Fair value is based on quoted market prices at the balance sheet date without any deduction for transaction costs. Fair values for the unquoted equity investments are estimated using the applicable price/earning ratios for similar listed companies adjusted for the specific circumstances of the issuer.

(ii) Interest-bearing loans and borrowings and finance lease liabilities

The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

37. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Key areas of estimation uncertainty

In the process of applying the Group's accounting policies, which are described in note 3, management made the following estimations that have the most significant effect on amounts recognised in the financial statements.

(a) Estimate of fair value of investment properties

Investment properties are carried in the consolidated balance sheet at 31st March, 2008 at their fair value of approximately HK$189,900,000. The fair values of investment properties have been determined with reference to independent valuations. The best evidence of fair value is the current price in an active market for similar lease and other contracts. The Group employed an independent firm of professional valuers to determine the open market values for the investment properties of the Group. These valuations require the use of judgment and estimates whereby the use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts which would, in turn, affect the financial results of the Group.

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

The interests in leasehold land held for own use under operating leases in the consolidated balance sheet at 31st March, 2008 of approximately HK$13,175,000 are stated at cost less accumulated amortisation and any identified impairment losses. They are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount has been determined based on the higher of their fair value less costs and their value in use. These calculations and valuations require the use of judgments and estimations. Should the future economic benefits expected to be obtained from the further operation of properties for development is less than the carrying cost, an impairment loss is recognised in the income statement.

(c) Recognition of deferred tax assets

At 31st March, 2008, no deferred tax asset position in relation to tax losses has been recognised in the Group's consolidated balance sheet. Deferred tax assets in respect of tax losses carried forward are recognised and measured based on the expected manner of realisation or settlement of the carrying amounts of the assets, using tax rates enacted or substantively enacted at the balance sheet date. In determining the carrying amounts of deferred tax assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and, therefore, requires significant levels of judgment to be exercised by the directors. Any change in such assumptions and judgments would affect the carrying amounts of deferred tax assets to be recognised and, hence, the net profit in future years.

38. SUBSIDIARIES

Particulars of the subsidiaries at 31st March, 2008 are as follows:

Wholly-owned subsidiaries

	Issued and paid up share capital		
Name of subsidiary	**Ordinary shares**	**Deferred shares ***	**Principal activities**
Wholly-owned subsidiaries incorporated and operating in Hong Kong:			
Campoent Development Limited	HK$10,000	–	Property investment
Cheerwise Development Limited	HK$2	–	Inactive
City Friend Development Limited	HK$2	–	Property investment
Jet Nice Investments Limited	HK$10,000	–	Property holding
Joyful Interest Limited	HK$10,000	–	Property investment
m499.com Limited	HK$2	–	Trading of communication products
Ocean Tower Development Limited	HK$10,000	–	Inactive
Oriental Gain Properties Limited	HK$100	HK$5,300	Property investment
Plotio Holdings (HK) Limited	HK$10,000	–	Provision of treasury services
Turbo Speed Investment Limited	HK$10,000	–	Inactive
Win's Properties Limited	HK$100,000	–	Inactive
Cyberware Communications Limited	HK$15,035,713	–	Inactive
Prime Concept Development Limited	HK$1	–	Investment holding
Glory Wood Enterprises Limited	HK$1	–	Investment holding

* *The deferred shares carry no rights to dividends, from a practical viewpoint, or to receive notices of or to attend or vote at any general meetings of the perspective companies or to participate in any distributions on winding up.*

Wholly-owned subsidiaries incorporated in the British Virgin Islands and operating in Hong Kong:

Name of subsidiary	**Issued and paid up ordinary share capital**	**Principal activities**
Election International Limited	US$1	Investment holding
Immediate Effect Limited	US$1	Investment holding
MobiData Incorporated	US$1	Investment holding
Plotio Limited	US$1,000,000	Investment holding
Rexy Investment Limited	US$1	Investment holding
Uni-tech Properties Limited	US$1	Investment holding
Capital Scope Limited	US$1	Inactive
Goldson Holdings Limited	US$1	Investment holding
Sharp Deal Limited	US$1	Inactive
World Regal Limited	US$1	Investment holding

Non-wholly owned subsidiaries

Name of subsidiary	**Place of incorporation**	**Issued and paid up ordinary share capital**	**Proportion of nominal value of issued capital held by the Company**	**Principal activities**
Mobidog Inc.	Cayman Islands	US$1,010,000	57%	Investment holding
Global Edge Technology Limited	British Virgin Islands	US$833,334	60%	SMS provider
Redstone Resources Limited	British Virgin Islands	US$2	60%	Investment holding

Other than Plotio Limited, Capital Scope Limited, Prime Concept Development Limited, Goldson Holdings Limited, Sharp Deal Limited and World Regal Limited, which are held directly by the Company, all subsidiaries are held by the Company indirectly.

None of the subsidiaries had any debt securities subsisting at 31st March, 2008 or at any time during the year.

39. ASSOCIATES

Particulars of the associates as at 31st March, 2008 are as follows:

Name of company	Place of incorporation	Proportion of nominal value of issued capital held by the Group	Principal activity
HyComm Technology Incorporated	British Virgin Islands	26%	Investment holding
Megacom Holdings Limited	Hong Kong	20%	Investment holding
Tekson International Telecom Limited	Hong Kong	37%	Investment holding
GIN International Limited	Hong Kong	49%	SMS provider

3. UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF THE GROUP

The following is an extract of the unaudited condensed consolidated interim financial statements from the interim report of the Company for the six months ended 30 September 2008.

Condensed Consolidated Income Statement

		Six months ended 30 September	
		2008	**2007**
	Notes	*HK$'000*	*HK$'000*
		(unaudited)	(unaudited)
Turnover	*2*	8,099	5,641
Other revenue	*3*	2,798	12,811
Operating costs		(8,773)	(6,519)
Staff costs		(1,377)	(2,793)
Profit from operating activities	*4*	747	9,140
Deficit arising on revaluation of investment properties	*9*	(7,898)	–
Impairment loss recognised in respect of available-for-sale financial assets	*10*	(40,750)	–
Gain/(loss) on disposal of subsidiaries	*5*	4,943	(42)
Finance costs	*6*	(4,361)	(3,013)
Share of results of associates		–	1
(Loss)/profit before taxation		(47,319)	6,086
Taxation	*7*	(38)	238
(Loss)/profit for the period		(47,357)	6,324
Attributable to:			
Equity shareholders of the Company		(47,856)	5,946
Minority interests		499	378
		(47,357)	6,324
(Loss)/earnings per share:			
– basic	*8*	(5.57) cents	0.96 cents
– diluted	*8*	(3.65) cents	N/A

Condensed Consolidated Balance Sheet

		As at	
		30 September 2008	**31 March 2008**
	Notes	*HK$'000*	*HK$'000*
		(unaudited)	(audited)
ASSETS			
Non-current assets			
Investment properties	*9*	94,800	189,900
Properties, plant and equipment		3,481	5,844
Interests in leasehold land held for own use under operating leases		–	13,175
Interests in associates		2,378	1,965
Available-for-sale financial assets	*10*	21,058	61,808
		121,717	272,692
Current assets			
Receivables, deposits and prepayments	*11*	30,760	54,698
Bank and cash balance		270,999	201,917
		301,759	256,615
LIABILITIES			
Current liabilities			
Payables and accrued charges	*12*	14,466	20,075
Deposits received		11,345	22,902
Amounts due to a director		11,355	11,805
Bank borrowings – due within one year	*13*	18,177	60,802
Taxation		369	1,422
		55,712	117,006
Net current assets		246,047	139,609
Total assets less current liabilities		367,764	412,301

		As at	
		30 September	**31 March**
		2008	**2008**
	Notes	*HK$'000*	*HK$'000*
		(unaudited)	(audited)
Non-current liabilities			
Bank borrowing – due after one year	*13*	20,448	59,030
Deferred tax liabilities		759	3,759
Convertible notes	*14*	141,363	137,674
		162,570	200,463
NET ASSETS		205,194	211,838
CAPITAL AND RESERVES			
Issued capital	*15*	6,241	416,064
Share Premium and reserves		195,297	(207,383)
		201,538	208,681
Minority interests		3,656	3,157
TOTAL EQUITY		205,194	211,838

Condensed Consolidated Statement of Changes in Shareholders' Equity

For the six months ended 30 September 2007 (unaudited)

	Share capital	Share premium	Surplus Account	Capital reserve	Fair value reserve	Deficits	Minority interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2007	298,064	491,426	255,025	–	10,772	(942,068)	2,283	115,502
Issue of placing shares	32,000	7,513	–	–	–	–	–	39,513
Issue of consideration shares	27,000	–	–	–	–	–	–	27,000
Changes in fair value of available-for-sale financial assets	–	–	–	–	3,942	–	–	3,942
Realisation changes in fair value of available-for-sales financial assets	–	–	–	–	(4,944)	–	–	(4,944)
Profit for the period	–	–	–	–	–	5,946	378	6,324
At 30 September 2007	357,064	498,939	255,025	–	9,770	(936,122)	2,661	187,337

For the six months ended 30 September 2008 (unaudited)

	Share capital	Share premium	Surplus Account	Capital reserve	Fair value reserve	Deficits	Minority interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2008	416,064	498,941	255,025	9,877	–	(971,226)	3,157	211,838
Capital Reduction	(411,903)	–	–	–	–	411,903	–	–
Issue of offer shares	2,080	38,633	–	–	–	–	–	40,713
Loss for the period	–	–	–	–	–	(47,856)	499	(47,357)
At 30 September 2008	6,241	537,574	255,025	9,877	–	(607,179)	3,656	205,194

Condensed Consolidated Cash Flow Statement

	Six months ended 30 September 2008	2007
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Net cash inflow/(outflow) generated from operations	10,282	(7,605)
Net cash inflow/(outflow) from investing activities	57,940	(26,458)
Net cash inflow from financing activities	923	36,452
INCREASE IN CASH AND CASH EQUIVALENTS	69,145	2,389
Cash and cash equivalents at beginning of period	190,051	(11,315)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	259,196	(8,926)
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	270,999	3,074
Bank overdrafts	(11,803)	(12,000)
	259,196	(8,926)

Notes:

1. **BASIS OF PREPARATION AND ACCOUNTING POLICIES**

These unaudited condensed consolidated interim financial statements have been prepared in compliance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and Appendix 16 of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange").

The same principal accounting policies and basis of preparation are followed in these interim financial statements as compared with the published annual financial statements for the year ended 31 March 2008 except for the adoption of the new/revised Hong Kong Financial Reporting Standards, interpretations and HKASs ("new/revised HKFRSs") which are effective for accounting periods commencing on or after 1 January 2008. The adoption of the new/revised HKFRSs has had no material impact on the accounting policies and the methods of computation in these condensed consolidated interim financial statements.

The Group has not yet applied the new/revised HKFRSs that have been issued but not yet been effective. The directors of the Company anticipated that the application of these new/revised HKFRSs will have no material impact on the financial statements of the Group.

2. **SEGMENTAL INFORMATION**

The Group's turnover and contribution therefrom for the period is analysed as follows:

	Turnover six months ended 30 September		**Contribution to profit/(loss) from operating activities six months ended 30 September**	
	2008	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Gross rental income from investment properties	2,177	2,396	(178)	(153)
Income from short message services	2,947	3,151	1,200	946
Leasing of car parking spaces	1,754	–	(267)	–
Provision of loan financing	1,197	–	745	–
Sales of goods and services	24	94	(559)	(772)
	8,099	5,641	941	21
Unallocated other revenue			2,798	21
Gain on disposal of available-for-sale financial assets			–	12,613
Unallocated corporate expenses			(2,992)	(3,515)
Profit from operating activities			747	9,140

Most of the property activities of the Group are based in Hong Kong and most of the Group's turnover and the profit from operating activities are derived from Hong Kong.

3. OTHER REVENUE

	Six months ended 30 September 2008 HK$'000 (unaudited)	2007 HK$'000 (unaudited)
Bank interest income	2,395	–
Exchange gains, net	236	–
Gain on disposal of available-for-sale financial assets	–	12,613
Others	167	198
	2,798	12,811

4. PROFIT FROM OPERATING ACTIVITIES

	Six months ended 30 September 2008 HK$'000 (unaudited)	2007 HK$'000 (unaudited)
Profit from operating activities is arrived at after charging:		
(a) Staff cost		
Salaries, bonus and awards (including directors' emoluments)	1,340	2,753
Contributions to defined contribution plan	36	37
Staff welfare	1	3
	1,377	2,793
(b) Other items		
Depreciation	524	977
Operating lease charges in respect of rented premises – other services	2,128	577
and after crediting:		
Rental income, net of outgoing	1,214	1,098

5. GAIN/(LOSS) ON DISPOSAL OF SUBSIDIARIES

	Six months ended 30 September	
	2008	**2007**
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Net assets disposed of:		
Investment properties	100,900	18,000
Properties, plant and equipment	1,839	–
Interest in leasehold land held for own use under operating leases	13,175	–
Debtors and prepayment	116	2
Bank and cash balances	65	40
Payable and accrued charges	(51,286)	–
Net assets disposed of	64,809	18,042
Gain/(loss) on disposal	4,943	(42)
Total consideration	69,752	18,000

The disposed subsidiaries during the six months ended 30 September 2008 contributed a loss of HK$191,000 (2007: loss HK$561,000) to the Group's operating results.

6. FINANCE COSTS

	Six months ended 30 September	
	2008	**2007**
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Finance costs comprise:		
Interest expenses on:		
Bank borrowings wholly repayable within 5 years	295	2,770
Bank borrowings wholly repayable more than five years	491	228
Other borrowings	365	15
Convertible notes	3,210	–
	4,361	3,013

7. TAXATION

	Six months ended 30 September 2008	2007
	2008	2007
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
The (charge)/credit comprises:		
Hong Kong Profits Tax	(38)	–
Deferred tax	–	238
	(38)	238

Hong Kong Profits Tax has been provided at the rate of 16.5% (2007: 17.5%) of the estimated assessable profit arising in Hong Kong during the period.

8. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the (loss)/profit attributable to equity shareholders of the Company for the period of loss HK$47,856,000 (2007: profits HK$5,946,000) and the weighted average of 864,132,718 (2007: 620,732,199) shares in issue during the period.

The comparative basic (loss)/earnings per share amounts have been adjusted to reflect the share consolidation as further detailed in note 15 to the financial statements.

(b) Diluted (loss)/earnings per share

The calculation of diluted loss per share for the period ended 30 September 2008 is based on the adjusted loss for the period of HK$44,138,531 as adjusted for the interest savings arising from the conversion of the convertible notes into ordinary shares of the Company that would have been in issue during the period assuming convertible notes of the Company were converted into ordinary shares of the Company at the beginning of the period.

Diluted earnings per share for the period ended 30 September 2007 have not been presented as there will be no potentially dilutive ordinary shares in existing during the period.

9. INVESTMENT PROPERTIES

	As at 30 September 2008	As at 31 March 2008
	HK$'000	*HK$'000*
	(unaudited)	(audited)
At valuation		
At beginning of the period	189,900	216,000
Disposal *(Note 5)*	(100,900)	(18,000)
Acquisition	13,698	–
Deficit arising from revaluation	(7,898)	(8,100)
At the end of the period	94,800	189,900

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at	
	30 September 2008	**31 March 2008**
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Unlisted *(Note (a))*	27,000	27,000
Less: Fair value adjustment	(27,000)	(4,500)
Listed shares in Hong Kong *(Note (b))*	62,239	62,239
Less: Fair value adjustment	(41,181)	(22,931)
Fair value of individually impaired available-for-sale financial assets	21,058	61,808
Market value of listed shares	21,058	39,308

Notes:

(a) The above unlisted equity security represents an investment in a private company incorporated in the British Virgin Islands which is principally engaged in the business of provision of outdoor media advertising and broadcasting network. During the period of six months ended 30 September 2008, the Group assessed whether there was any objective evidence that the fair value would be impaired. In view of current unfavorable economic environment, adverse financial market and the financial performance of the investment, the Group adopted a prudent approach to make a further impairment of HK$22.5 million.

(b) The Group holds approximately 6% of nominal value of issued share capital of Tomorrow International Holdings Limited which is listed on The Stock Exchange of Hong Kong on 8 August 1995 with Stock Code 760.

11. RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at	
	30 September 2008	**31 March 2008**
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Trade receivables *(Note (a))*	344	242
Loan receivables	14,000	–
Deposits and prepayments	3,470	1,094
Other receivables	12,832	52,920
Amounts due from related companies	114	442
	30,760	54,698

Note (a): The Group maintains defined credit policies. For the sales of goods, the Group allows an average credit period of 30 days to its trade customers. Rental receivables from tenants and service income receivables from customers are payable on presentation of invoices. The aging analysis of trade receivables is as follows:

	As at 30 September 2008	**As at 31 March 2008**
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Current	263	168
One to three months overdue	64	43
Over three months overdue	17	31
	344	242

12. PAYABLES AND ACCRUED CHARGES

	As at 30 September 2008	**As at 31 March 2008**
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Trade payables	1,343	4,819
Accrued charges	8,605	9,174
Amounts due to related companies	223	1,787
Amounts due to former shareholders	4,295	4,295
	14,466	20,075

The aging analysis of trade payables is as follows:

	As at 30 September 2008	**As at 31 March 2008**
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Within one month	213	4
Over one month but less than three months	122	–
Over three months	1,008	4,815
	1,343	4,819

13. BANK AND OTHER BORROWINGS

	As at 30 September 2008 HK$'000 (unaudited)	31 March 2008 HK$'000 (audited)
Bank loans, secured	26,822	71,966
Bank overdrafts, secured	11,803	11,866
Other borrowings	–	36,000
	38,625	119,832
The borrowings are repayable as follows:		
Within one year or on demand	18,177	60,802
More than one year, but not exceeding two years	6,369	13,588
More than two years, but not exceeding five years	14,079	45,032
More than five years	–	410
	38,625	119,832
Less: Amount due within one year or on demand included in current liabilities	(18,177)	(60,802)
Amount due after one year	20,448	59,030

14. CONVERTIBLE NOTES

HK$150,000,000 secured convertible notes were issued by the Company on 4 February 2008. Upon the share consolidation of five shares consolidated into one consolidated share and the open offer on the basis of one offer share for every two consolidated shares became effective on 28 August 2008 and 17 September 2008 respectively, the conversion price of the shares to be issued under the convertible notes was adjusted to HK$0.43 per share and the total number of shares to be issued under the convertible notes was adjusted to 348,837,209 shares. Conversion may occur at any time between 4 February 2008 and 3 February 2011.

The convertible notes contain two components identified as the liability and equity elements. The equity component is reported in the equity section under the heading "Capital Reserve". The effective interest rate for the liability component is 5.291%.

An analysis of the movements in the liability component of the convertible notes during the six months ended 30 September 2008 are set out below:

	30 September 2008 HK$'000 (unaudited)	As at 31 March 2008 HK$'000 (audited)
Proceeds of issue	150,000	150,000
Equity component	(9,877)	(9,877)
	140,123	140,123
Transaction cost	(3,451)	(2,872)
Interest expense	4,212	1,002
	141,463	137,674

The Company can redeem the convertible notes at a value equal to 105% of the principal amount. Interest of 5% per annum will be paid annually in arrear. Partial outstanding principal amount of HK$42,000,000 of the convertible notes was redeemed on 26 November 2008 and the balance of the outstanding principal amount of the convertible notes of HK$108,000,000 will be fully redeemed on or before 27 February 2009.

15. SHARE CAPITAL

During the period, the movement of share capital of the Company was as follows:–

(a) Pursuant to the circular dated 8 May 2008, a special resolution for the capital reorganization involving of capital reduction, subdivision and share premium cancellation was passed in special general meeting of the Company held on 2 June 2008. Upon the capital reorganization became effective on 2 July 2008, based on 4,160,639,015 shares in issue, the issued share capital of the Company of HK$416,063,901.50 was reduced by HK$411,903,262.485 to HK$4,160,639.015;

(b) Pursuant to the circular dated 11 August 2008, an ordinary resolution for share consolidation was passed in special general meeting of the Company held on 27 August 2008. Upon the share consolidation became effective on 28 August 2008, every 5 shares of the Company at HK$0.001 each was consolidated into 1 consolidated share at HK$0.005 each. Then the number of issued share capital of the Company became 832,127,803 shares at HK$0.005 each;

(c) Upon the share consolidation became effective, the Company proposed to raise approximately of not more than approximately HK$41,600,000 before expenses, by way of an open offer of not more than 416,063,901 offer shares at a prices of HK$0.10 per offer share on the basis of one offer share for every two consolidated shares. The open offer became unconditional on 17 September 2008 and 416,063,901 offer shares at HK$0.005 each were issued. The issued share capital of the Company became HK$6,241,000, representing 1,248,191,704 shares at HK$0.005 each.

	Number of shares	**Amount** *HK$'000*
Authroised:		
At 31 March 2008, ordinary shares of HK$0.1 each	20,000,000,000	2,000,000
At 30 September 2008, ordinary shares of HK$0.005 each	400,000,000,000	2,000,000
Issued and fully paid:		
At 31 March 2008 (audited)	4,160,639,015	416,064
Capital reduction	–	(411,903)
Consolidation of every 5 shares into 1 share	(3,328,511,212)	–
Issue of offer shares	416,063,901	2,080
At 30 September 2008 (unaudited)	1,248,191,704	6,241

16. RELATED PARTY TRANSACTIONS

The Group entered into the following transactions with related parties during the six months ended 30 September 2008:

	As at 30 September	
	2008	**2007**
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Rental (paid to):		
Plotio Investment (HK) Limited	(231)	(492)
Service fee (paid to) received from:		
Keung Kee Cleaning Services Company Limited	(4)	(13)
Lee Wai Engineering Company Limited	(34)	(93)
Monchase Underwriters Limited	–	(34)
Plotio Development (HK) Limited	–	1
Plotio Investment (HK) Limited	–	22
Plotio Property and Management Company Limited	(5)	(9)
Plotio Property Consultants Limited	–	11
Plotio Property Consultants Limited	(143)	(216)

Keung Kee Cleaning Services Company Limited, Lee Wai Engineering Company Limited, Monchase Underwriters Limited, Plotio Development (HK) Limited, Plotio Investment (HK) Limited, Plotio Property and Management Company Limited and Plotio Property Consultants Limited are company beneficially held by Mr. Lai Yiu Keung, one of the directors of the Company.

17. POST BALANCE SHEET EVENTS

(a) On 16 July 2008, the Group entered into an acquisition agreement, whereby the Group agreed to acquire the entire issued share capital of and the shareholders loan of Million Good Group Limited, which owns a property situated on House 26, Las Pinadas, 33 Shouson Hill Road, Hong Kong, for an aggregate consideration of HK$37,000,000. Under the acquisition agreement, part of the consideration in sum of HK$2,000,000 was paid and the balance of the consideration in the sum of HK$35,000,000 shall pay to the vendors on or before 270 days from the date of completion of the acquisition at the rate of 4% per annum from the date of completion of the acquisition to the date of actual payment. As a security for due payment of the balance of the consideration and the interest, a share charge over the shares of Million Good Group Limited was executed and its shares were pledged in favour of the vendors. Resolution for the acquisition was passed by shareholders of the Company at the special general meeting held on 22 September 2008. The acquisition was completion on 31 October 2008.

(b) On 8 August 2008, the Group entered into a disposal agreement, whereby the Group agreed to dispose of the entire ordinary shares of and shareholders loans of Oriental Gain Properties Limited, which owns various shops situated on Manly Plaza, Nos. 993-997 King's Road, Quarry Bay, Hong Kong, for an aggregate consideration of HK$42,900,000. Resolution for the disposal was passed by shareholders of the Company at the special general meeting held on 22 September 2008. However, as additional time was required by the purchaser of the disposal agreement to arrange financing for the completion of the disposal, a deed of variation was entered to extend the completion date to 31 January 2009. In addition, if the purchaser fails to complete on or before 31 January 2009, the purchaser shall pay in aggregate a monthly interest of HK$150,000 for the first month from 1 February 2009 and HK$250,000 for each of the second, the third and the fourth month from 1 February 2009 and thereafter at the monthly interest rate of 2.5% on the outstanding amount of the consideration payable for the disposal. To guarantee and secure the due and punctual payment and performance of the purchaser's obligation under the disposal agreement, Mr. Lai Yiu Keung, an executive director of the Company, entered into a deed of guarantee and indemnity.

(c) On 24 November 2008, the Company served a redemption notice to each of the holders of the secured convertible notes to redeem partial of the outstanding principal amount of HK$42,000,000 on 26 November 2008 and the balance of the outstanding principal amount of HK$108,000,000 on 16 December 2008. However, in order for the Company to maintain a sufficient working capital prior to the completion of the rights issue, a new notice of redemption was served to each of the holders of the convertible notes to extend the date of redemption of the balance of the outstanding principal amount of the convertible notes to on or before 27 February 2009.

(d) Referred to the announcement dated 1 December 2008, the Board proposed to implement the share consolidation pursuant to which every twenty existing shares of HK$0.005 each will be consolidated into one consolidated share of HK$0.1 each. Upon the share consolidation becoming effective, the Company proposed to raise not less than approximately HK$62.9 million before expenses by way of the rights issue of 436,867,095 rights shares at a price of HK$0.144 per rights share on the basis of seven rights shares for every consolidated share held on the record date. An underwriting agreement was entered into between Regal Power Investments Limited, Joy Glory Limited and Head & Shoulders Securities Limited as underwriters and the Company. A circular containing, among other things, (i) details of the share consolidation and the rights issue; (ii) a letter of recommendation from the independent board committee of the Company to the independent shareholders in respect of the rights issue; (iii) a letter of advise from the independent financial adviser to the independent board committee of the Company and the independent shareholders on the rights issue; and (iv) a notice to convene the special general meeting to approve the share consolidation and the rights issue will be dispatched to the shareholders as soon as practicable.

4. WORKING CAPITAL SUFFICIENCY

The Directors are satisfied after due and careful enquiry that, after taking into account the existing cash and bank balances, the Group has sufficiency working capital for its present requirements after the Rights Issue, that is for at least 12 months from the date of this Prospectus, in the absence of unforeseeable circumstances.

5. INDEBTEDNESS

Borrowings

As at the close of business on 22nd December, 2008, being the latest practicable date for the purpose of this indebtedness statement, the Group had the following outstanding borrowings:

(a) secured bank overdrafts of approximately HK$12,000,000; and

(b) secured bank loans of approximately HK$52,000,000; and

(c) secured Convertible Notes of HK$108,000,000.

The Convertible Notes were issued by the Company on 4th February, 2008. The Convertible Notes carry interest at a rate of 5% per annum which is payable annually in arrears. The Convertible Notes are due in 2011. According to the announcement of the Company dated 18th December, 2008, the Convertible Notes will be fully redeemed on or before 27th February, 2009.

Securities and guarantees

As at the close of business on 22nd December, 2008, the details of the securities and guarantees relating to the Group's borrowings were set out as follows:

Bank overdrafts and bank loans were secured by the followings:

(i) first legal charges over the investment properties of subsidiaries of approximately HK$153,000,000 effective on 5th January, 2007 and 23rd January, 2007;

(ii) the assignment of rental income generated from the investment properties of a subsidiary effective on 23rd January, 2007;

(iii) the assignment of insurance policies of the investment properties of a subsidiary effective on 23rd January, 2007; and

(iv) subordination of shareholders' loans of a subsidiary effective on 23rd January, 2007.

Convertible Notes were secured by charges over shares of a subsidiary and designated account holding the subscription monies from the Convertible Notes by a subsidiary effective from 4th February, 2008.

Contingent liabilities

At 22nd December, 2008, the Group had outstanding unlimited guarantees and a corporate guarantee given in favour of bank amounting to approximately HK$120,000,000 to secure general banking facilities granted to its subsidiaries. The total amount of facilities utilized by the subsidiary as at 22nd December, 2008 amounted to approximately HK$38,000,000.

At 22nd December, 2008, the Group had outstanding corporate guarantee given in favour of bank amounting to HK$33,000,000 to secure general banking facilities granted to a former subsidiary in which Mr Lai Yiu Keung has beneficial interest. The total amount of facilities utilized by this former subsidiary amounted to approximately HK$27,000,000.

On 16th July, 2008, the Group entered into an acquisition agreement to acquire the entire issued share capital of and the shareholders' loan of Million Good for an aggregate consideration of HK$37,000,000. Under the acquisition agreement, part of the consideration in sum of HK$2,000,000 was paid and the balance of the consideration in the sum of HK$35,000,000 shall be paid to the vendors on or before 270 days from the date of completion of the acquisition together with interest at the rate of 4% per annum accrued from the date of completion of the acquisition to the date of actual payment. As a security for due payment of the balance of the consideration and the interest, a share charge over the shares of Million Good was executed and shares of Million Good were pledged in favour of the vendors. The acquisition was approved by Shareholders at the special general meeting of the Company held on 22nd September, 2008 and completed on 31st October, 2008.

Capital commitments and other commitments

The Group had no material capital and other commitments as at 22nd December, 2008.

Disclaimer

Save as disclosed above and apart from intra-group liabilities, as at the close of business on 22nd December, 2008, the Group had no debt securities, borrowings, mortgages, charges, debentures or other loan capital or bank overdrafts or other similar indebtedness, liabilities under acceptances or acceptances credits or hire purchase commitments or any guarantees or other material commitment or any material contingent liabilities.

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, save for the matters as disclosed in the profit warning announcement of the Company dated 13 November 2008, the Directors were not aware of any material adverse changes in the financial of trading position of the Group since 31st March, 2008, the date to which the latest audited financial statement of the Group were made up.

A summary of the financial information relating to Million Good Group Limited ("Million Good") including the income statement, statement of changes in equity and cash flow statement for the period from 8 September 2006 (date of incorporation) to 31 March 2007 and 1 April 2007 to 31 March 2008 and the balance sheet as at 31 March 2007 and 2008 as extracted from the circular of the Company dated 4 September 2008 is set out below pursuant to Appendix 1B(31)(3) of the Listing Rules.

A. FINANCIAL INFORMATION

1. Income Statement

	Note	Period from 1 April 2007 to 31 March 2008 HK$'000	Period from 8 September 2006 (date of incorporation) to 31 March 2007 HK$'000
Turnover		–	–
Other operation income	5	2	–
		2	–
Operating costs		(46)	(46)
Surplus arising from revaluation of investment properties		17,000	7,511
Profit from operating activities	6	16,956	7,465
Finance costs	7	(1,472)	(213)
Profit before taxation		15,484	7,252
Taxation	9	–	–
Profit for the year/period		15,484	7,252
Attributable to:			
Equity shareholders of Million Good		15,484	7,252

2. Balance Sheet

	Note	2008 HK$'000	2007 HK$'000
Non-current assets			
Investment properties	*10*	65,000	48,000
Current assets			
Deposits and prepayment		33	33
Bank balance	*11*	83	181
		116	214
Current liabilities			
Accrued charges		26	12
Bank borrowings			
– due within one year	*12*	16,067	589
		16,093	601
Net current liabilities		(15,977)	(387)
Total assets less current liabilities		49,023	47,613
Non-current liabilities			
Bank borrowings			
– due after one year	*12*	25,807	26,610
Other loans	*13*	479	13,750
		26,286	40,360
Net assets		22,737	7,253
Capital and reserves			
Share capital	*14*	1	1
Reserve		22,736	7,252
Total equity		22,737	7,253

3. Statement of Changes in Equity

	2008	2007
	HK$'000	*HK$'000*
Total equity at beginning of the year/period	7,253	–
Profit for the year/period	15,484	7,252
Total recognized income and expense for the year/period	15,484	7,252
Attributable to:		
Equity shareholders of Million Good	15,484	7,252
Movements in equity arising from capital transaction:		
Share issued	–	1
Total equity at end of the year/period	22,737	7,253

4. Cash Flow Statement

	Note	Period from 1 April 2007 to 31 March 2008 HK$'000	Period from 8 September 2006 (date of incorporation) to 31 March 2007 HK$'000
Cash flows from operating activities			
Profit before taxation		15,484	7,252
Adjustments for:			
Surplus arising from revaluation of investment properties		(17,000)	(7,511)
Interest income		(2)	–
Interest expenses		1,472	213
Operating loss before working capital changes		(46)	(46)
Increase in deposits and prepayment		–	(33)
Increase in accrued charges		14	12
Cash used in operations		(32)	(67)
Interest paid		(1,472)	(213)
Net cash used in operating activities		(1,504)	(280)
Cash flows from investing activities			
Interest received		2	–
Purchase of properties, plant and equipment		–	(40,489)
Net cash from/(used in) investing activities		2	(40,489)
Cash flows from financing activities			
Issue of share capital		–	1
Proceeds from bank borrowings		–	27,300
Repayments of bank borrowings		(589)	(101)
Loans from/(repayments to) directors		(13,271)	13,750
Net cash from/(used in) financing activities		(13,860)	40,950
Net increase/(decrease) in cash and cash equivalents		(15,362)	181
Cash and cash equivalents at beginning of the year/period		181	–
Cash and cash equivalents at end of the year/period		(15,181)	181
Analysis of cash and cash equivalents	*11*		
Bank balance		83	181
Bank overdrafts		(15,264)	–
		(15,181)	181

B. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION

Million Good was involved in the principal activity of property investment.

Million Good is a limited liability company incorporated in British Virgin Islands. The address of its registered office is P.O. Box 957, Offshore Incorporations Centre, Road Tower, Tortola, British Virgin Islands.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to the relevant period presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements of Million Good have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRSs). The financial statements have been prepared under the historical cost convention except for investment properties which are stated at fair value.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying Million Good's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

Standards, amendment and interpretations

Million Good has adopted all relevant standards, amendment and interpretations effective for the financial period. The directors are of the opinion that the adoption does not have any impact on Million Good's financial statements.

Million Good has not adopted any relevant standards, amendment and interpretations issued subsequent to but not being effective at the relevant period ended 31 March 2008 of which the directors are of the opinion that there will be no material impact on the financial statements for the relevant period of initial application.

2.2 Foreign currency translation

Transactions and balances

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

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

2.3 Investment properties

Property that is held for long-term yields is classified as investment property.

Investment property comprises land held under operating leases and buildings held under finance leases.

Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

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

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

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

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

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

Changes in fair values are recognized in the income statement.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its carrying amount at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified and subsequently accounted for as investment property.

If an item of property, plant and equipment becomes investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognized in equity as a revaluation of property, plant and equipment under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognized in the income statement.

2.4 Impairment of non-financial assets

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

2.5 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

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

2.6 Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where Million Good operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

Million Good's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk, and liquidity risk. The Board has policies (not written) to focus on the unpredictability of financial markets and seek to minimise potential adverse effects on Million Good's financial performance as follows:–

(a) Market risk

(i) Foreign exchange risk

Million Good's business transactions are mainly denominated in Hong Kong dollar and hence its exposure to foreign exchange risk is insignificant.

(ii) Price risk

Million Good is exposed to property price risk because Million Good has adopted "Fair value model" as specified in the HKAS 40 to account for its investment properties. Million Good has had no particular measure to manage the price risk. Had the price index of the property market increased/decreased by 5%, profit for the period ended 31 March 2007 and the year ended 31 March 2008 would have risen/declined by HK$2,400,000 and HK$3,250,000 respectively.

(iii) Cash flow and fair value interest rate risk

As at the relevant period ended, Million Good had bank borrowings, which expose it to cash flow interest-rate risk.

Million Good has had no sophisticated analyses to calculate the impact on profit and loss of a defined interest rate shift. Instead, its calculation is straight-forward. The impact on profit or loss so calculated in response to a 10 basis-point shift would be as follows:–

	Year/Period ended balance		**Effect on profit or loss**	
	2008	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Bank borrowings	41,874	27,199	42	27

(b) *Credit risk*

Million Good is a property investment company and has immaterial amount of receivables. Hence, the credit risk is insignificant.

(c) *Liquidity risk*

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities and obtaining financial support from directors.

Million Good operates with a working capital deficit. The deficiency is fully compensated by the commitment from its director to continually provide the necessary financial support to enable Million Good to meet in full its financial obligations as they fall due for the foreseeable future.

3.2 Capital risk management

Million Good has had no particular measure to manage its capital. Its operations depend on the financial support given by its directors (who are also the Million Good's shareholders) and their other controlled companies. Amounts due to them at the relevant period ended 31 March 2007 and 2008 totalled approximately HK$13,750,000 and HK$479,000 respectively and have been classified as non-current liabilities.

The gearing ratios were as follows:

	2008	**2007**
	HK$'000	*HK$'000*
Total borrowings		
– Bank borrowings *(Note 12)*	41,874	27,199
– Other loans *(Note 13)*	479	13,750
Cash and cash equivalents *(Note 11)*	(83)	(181)
Net debt	42,270	40,768
Total equity (comprising share capital and all reserves)	22,737	7,253
Total capital	65,007	48,021
Gearing ratio	65%	85%

3.3 Fair value estimation

The carrying values less impairment provision of other receivables (current) and other payables (current) are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to Million Good for similar financial instruments.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements 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.

4.1 Critical judgements in applying the entity's accounting policies

Distinction between investment properties and owner-occupied properties

Million Good determines whether a property qualifies as investment property. In making its judgement, Million Good considers whether the property generates cash flows largely independently of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the production or supply process.

5. OTHER OPERATING INCOME

	Period from 1 April 2007 to 31 March 2008	**Period from 8 September 2006 (date of incorporation) to 31 March 2007**
	HK$'000	*HK$'000*
Interest income		
– Bank deposits	2	–

6. PROFIT FROM OPERATING ACTIVITIES

	Period from 1 April 2007 to 31 March 2008	**Period from 8 September 2006 (date of incorporation) to 31 March 2007**
	HK$'000	*HK$'000*
Profit from operating activities is arrived at after charging:		
Auditor's remuneration	10	10
Staff costs	–	–

7. FINANCE COSTS

	Period from 1 April 2007 to 31 March 2008	**Period from 8 September 2006 (date of incorporation) to 31 March 2007**
	HK$'000	*HK$'000*
Interest expenses		
– Bank borrowings	1,472	213

8. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES

Directors' emoluments disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance are as follows:–

	Period from 1 April 2007 to 31 March 2008	Period from 8 September 2006 (date of incorporation) to 31 March 2007
	HK$'000	*HK$'000*
Fees	–	–
Other emoluments	1,158	1,014
	1,158	1,014

Million Good did not incur any staff costs during the relevant period.

9. TAXATION

Provision for Hong Kong profits tax is not required as Million Good derived no assessable income for the relevant period.

10. INVESTMENT PROPERTIES

	HK$'000
Valuation	
Additions	40,489
Surplus arising from revaluation	7,511
At 31 March 2007	48,000
At 1 April 2007	48,000
Surplus arising from revaluation	17,000
At 31 March 2008	65,000

The investment properties were revalued at the relevant period ended 31 March 2007 and 2008, by independent, professionally qualified valuers B.I. Appraisals Limited. Valuations were based on current prices in an active market for all properties.

In the income statement, amounts of direct operating expenses relating to investment properties that was unlet is for the relevant period ended 31 March 2007 and 2008 approximately HK$19,000 and HK$22,000 respectively.

Million Good's interest in investment properties and their net book values are analysed as follows:

	2008	2007
	HK$'000	*HK$'000*
In Hong Kong held on:		
Leases of between 10 to 50 years	65,000	48,000

11. CASH AND CASH EQUIVALENTS

	2008	2007
	HK$'000	*HK$'000*
Cash at bank	83	181

Cash, cash equivalents and bank overdrafts include the following for the purposes of the cash flow statement:

	2008	2007
	HK$'000	*HK$'000*
Cash and cash equivalents	83	181
Bank overdrafts *(Note 12)*	(15,264)	–
	(15,181)	181

12. BANK BORROWINGS

	2008	2007
	HK$'000	*HK$'000*
Non-current		
– Bank loans	25,807	26,610
Current		
– Bank overdrafts	15,264	–
– Bank loans	803	589
	16,067	589
Total bank borrowings	41,874	27,199

Total bank borrowings include secured liabilities of approximately HK$27,199,000 and HK$41,874,000 at the relevant period ended 31 March 2007 and 2008 respectively. The assets secured for the bank borrowings and their carrying amounts are as follows:–

	2008	2007
	HK$'000	*HK$'000*
Investment properties *(Note 10)*	65,000	48,000

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

	2008	2007
Bank overdrafts	P-0.375%	–
Bank loans	2.9786%	5.0364%

The carrying amounts of current and non-current bank borrowings are approximate to their fair value.

The carrying amounts of bank borrowings are denominated in Hong Kong dollars.

13. OTHER LOANS

	2008	2007
	HK$'000	*HK$'000*
Loans from directors	479	13,750

Other loans are unsecured, interest free and will not be demanded to be repaid within twelve months from the date of this report.

The directors of Million Good are of the opinion that the fair value of the other loans liabilities cannot be determined because the pattern of the long-term repayment of the loans has not been concluded.

14. SHARE CAPITAL

	2008	2007
	HK$'000	*HK$'000*
Authorized:		
50,000 shares of US$1 @HK$7.8 each	390	390
Issued and fully paid:		
100 shares of US$1 @HK$7.8 each	1	1

Million Good was incorporated in British Virgin Islands on 8 September 2006 with an authorized capital of US$50,000 divided into 50,000 shares of US$1 each. During the relevant period, Million Good issued 100 shares of US$1 each at par, fully paid up, to provide initial working capital.

C. SUBSEQUENT FINANCIAL INFORMATION

No audited financial statements have been prepared by Million Good in respect of any period subsequent to 31 March 2008.

D. UNAUDITED PRO FORMA FINANCIAL INFORMATION

1. Unaudited Pro Forma Financial Information of the Enlarged Group

Set out herein are the pro forma balance sheet, income statement and cash flow statement of the Enlarged Group (being HyComm Wireless Limited (the "Company") and its subsidiaries (the "Group"), and Million Good Group Limited ("Million Good")) extracted from the circular of the Company dated 4 September 2008, which have been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the acquisition of Million Good (the "Acquisition") as if it had taken place on 31 March 2008 for the pro forma balance sheet and for the year ended 31 March 2008 for the pro forma income statement and cash flow statement.

The pro forma financial information has been prepared for illustrative purposes only and, because of its hypothetical nature, may not give a true picture of the financial position, financial results and cash flows of the Enlarged Group had the Acquisition been completed as at 31 March 2008 or at any future date.

I. Unaudited pro forma balance sheet of the Enlarged Group

	The Group as at 31 March 2008	Million Good as at 31 March 2008	Unaudited pro forma adjustments		Unaudited pro forma balance sheet as at 31 March 2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 1)*	*(Note 2(i))*	*(Note 2(ii))*	
Non-current assets					
Investment properties	189,900	65,000	–	–	254,900
Properties, plant and equipment	5,844	–	–	–	5,844
Interests in leasehold land held for own use under operating leases	13,175	–	–	–	13,175
Interests in associates	1,965	–	–	–	1,965
Available-for-sale financial assets	61,808	–	–	–	61,808
Interest in a subsidiary	–	–	23,216	(23,216)	–
Goodwill	–	–	14,084	–	14,084
	272,692	65,000	37,300	(23,216)	351,776
Current assets					
Receivables, deposits and prepayments	54,698	33	–	–	54,731
Bank and cash balances	201,917	83	(37,300)	–	164,700
	256,615	116	(37,300)	–	219,431
Current liabilities					
Payables and accrued charges	20,075	26	–	–	20,101
Deposits received	22,902	–	–	–	22,902
Amount due to a director	11,805	–	–	–	11,805
Bank and other borrowings – due within one year	60,802	16,067	–	–	76,869
Taxes payable	1,422	–	–	–	1,422
	117,006	16,093	–	–	133,099
Net current assets/(liabilities)	139,609	(15,977)	(37,300)	–	86,332

	The Group as at 31 March 2008	Million Good as at 31 March 2008	Unaudited pro forma adjustments		Unaudited pro forma balance sheet as at 31 March 2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 1)*	*(Note 2(i))*	*(Note 2(ii))*	
Non-current liabilities					
Bank borrowings					
– due after one year	59,030	25,807	–	–	84,837
Other loans	–	479	–	(479)	–
Deferred tax liabilities	3,759	–	–	–	3,759
Convertible notes	137,674	–	–	–	137,674
	200,463	26,286	–	(479)	226,270
NET ASSETS/(LIABILITIES)	211,838	22,737	–	(22,737)	211,838
CAPITAL AND RESERVES					
Share capital	416,064	1	–	(1)	416,064
Share premium and reserves	(207,383)	22,736	–	(22,736)	(207,383)
Total equity attributable to equity shareholders of the Company	208,681	22,737	–	(22,737)	208,681
Minority interests	3,157	–	–	–	3,157
TOTAL EQUITY/ (DEFICIENCY IN ASSETS)	211,838	22,737	–	(22,737)	211,838

II. Unaudited pro forma income statement of the Enlarged Group

	The Group for the year ended 31 March 2008	**Million Good for the year ended 31 March 2008**	**Unaudited pro forma income statement for the year ended 31 March 2008**
	HK$'000	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 1)*	
Turnover	11,062	–	11,062
Other operating income	3,994	2	3,996
	15,056	2	15,058
Operating costs	(13,920)	(46)	(13,966)
Staff costs	(5,008)	–	(5,008)
Amortization of prepaid lease payments	(40)	–	(40)
Surplus/(deficit) arising from revaluation of investment properties	(8,100)	17,000	8,900
Surplus arising from revaluation of properties, plant and equipment	27	–	27
	(27,041)	16,954	(10,087)
Profit/(Loss) from operating activities	(11,985)	16,956	4,971
Profit on disposal of rural land exploitation right	800	–	800
Profit on disposal of available-for-sale financial assets	17,880	–	17,880
Impairment loss recognized in respect of available-for-sale financial assets	(27,431)	–	(27,431)
Loss on disposal of a subsidiary	(44)	–	(44)
Finance costs	(7,641)	(1,472)	(9,113)
	(28,421)	15,484	(12,937)
Share of results of associates	(15)	–	(15)

	The Group for the year ended 31 March 2008	Million Good for the year ended 31 March 2008	Unaudited pro forma income statement for the year ended 31 March 2008
	HK$'000	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 1)*	
Profit/(Loss) before taxation	(28,436)	15,484	(12,952)
Taxation	152	–	152
Profit/(Loss) for the year	(28,284)	15,484	(12,800)
Attributable to:			
Equity shareholders of the Company	(29,158)	15,484	(13,674)
Minority interests	874	–	874
	(28,284)	15,484	(12,800)

III. Unaudited pro forma cash flow statement of the Enlarged Group

	The Group for the year ended 31 March 2008	Million Good for the year ended 31 March 2008	Unaudited pro forma adjustments	Unaudited pro forma cash flow statement for the year ended 31 March 2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 1)*	*(Note 2(i))*	
Cash flows from operating activities				
Profit/(loss) before taxation	(28,436)	15,484	–	(12,952)
Adjustments for:				
Amortization of prepaid lease payment	40	–	–	40
Surplus/(deficit) arising from revaluation of:				
Investment properties	8,100	(17,000)	–	(8,900)
Properties, plant and equipment	(27)	–	–	(27)
Impairment loss recognized in respect of available-for-sale financial assets	27,431	–	–	27,431
Profit on disposal of:				
Rural land exploitation right	(800)	–	–	(800)
Available-for-sale financial assets	(17,880)	–	–	(17,880)
Loss on disposal of a subsidiary	44	–	–	44
Share of results of associates	15	–	–	15
Interest income	–	(2)	–	(2)
Interest expenses	7,641	1,472	–	9,113
Depreciation	1,902	–	–	1,902
Operating loss before changes in working capital	(1,970)	(46)	–	(2,016)
Increase in receivables, deposits and prepayments	(639)	–	–	(639)
Increase/(decrease) in payables and accrued charges	(13,522)	14	–	(13,508)
Increase in deposits received	21,787	–	–	21,787
Decrease in amount due to a director	(5,439)	–	–	(5,439)
Cash generated from/(used in) operations	217	(32)	–	185
Interest paid	(5,644)	(1,472)	–	(7,116)
Net cash used in operating activities	(5,427)	(1,504)	–	(6,931)

	The Group for the year ended 31 March 2008	Million Good for the year ended 31 March 2008	Unaudited pro forma adjustments	Unaudited pro forma cash flow statement for the year ended 31 March 2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 1)*	*(Note 2(i))*	
Cash flows from investing activities				
Purchase of properties, plant and equipment	(119)	–	–	(119)
Purchase of rural land exploitation right	(58,000)	–	–	(58,000)
Proceed from disposal of rural land exploitation right	5,880	–	–	5,880
Purchase of a subsidiary	–	–	(37,300)	(37,300)
Disposal of a subsidiary, net of cash and cash equivalents disposed of	17,960	–	–	17,960
Purchase of available-for-sale financial assets	(3,239)	–	–	(3,239)
Net proceeds from disposal of available-for-sale financial assets	31,417	–	–	31,417
Interest received	–	2	–	2
Net cash from/(used in) investing activities	(6,101)	2	(37,300)	(43,399)
Cash flows from financing activities				
Net proceeds from issue of share capital	39,513	–	–	39,513
Net proceeds from issue of convertible notes	146,400	–	–	146,400
Repayments of bank borrowings	(8,463)	(589)	–	(9,052)
Proceeds from other borrowings	36,000	–	–	36,000
Repayments of other borrowings	(556)	–	–	(556)
Repayments of loans to directors	–	(13,271)	–	(13,271)
Net cash from/(used in) financing activities	212,894	(13,860)	–	199,034
Net increase/(decrease) in cash and cash equivalents	201,366	(15,362)	(37,300)	148,704
Cash and cash equivalents at beginning of the year	(11,315)	181	–	(11,134)
Cash and cash equivalents at end of the year	190,051	(15,181)	(37,300)	137,570

IV. Notes to the unaudited pro forma financial information of the Enlarged Group

1. BASIS OF PREPARATION

The pro forma financial information is prepared based on the consolidated balance sheet as at 31 March 2008 and the income statement and cash flow statement for the year ended 31 March 2008 of the Group extracted from the Group's published 2008 Annual Report, and the audited balance sheet as at 31 March 2008 and the income statement and cash flow statement for the year ended 31 March 2008 of Million Good extracted from the Accountants' Report set out in Appendix II to this Prospectus, after making certain pro forma adjustments that are summarized in note 2 below.

2. PRO FORMA ADJUSTMENTS

(i) The adjustments represent (a) the payment of a consideration of HK$37 million and estimated expenses incurred directly on the Acquisition of HK$300,000 by the Group by way of cash for the acquisition of the entire issued share capital of Million Good and the entire amounts of loans due from Million Good outstanding as at 31 March 2008 of HK$479,000 approximately, had the Acquisition be completed on 31 March 2008; and (b) the recognition of estimated goodwill of HK$14,084,000 approximately arising from the Acquisition on the basis that no impairment charges concerning the estimated goodwill is considered necessary.

Under Generally Accepted Accounting Principles in Hong Kong, the Group will apply the purchase method to account for the Acquisition. In applying the purchase method, the identifiable assets, liabilities and contingent liabilities of Million Good will be recorded on the unaudited pro forma balance sheet of the Enlarged Group at their fair values at the date of the completion, and all the capital and reserves of Million Good upon completion of the Acquisition will be eliminated as the pre-acquisition reserves of the Enlarged Group. Any goodwill arising on the Acquisition will be determined as the excess of the purchase consideration deemed to be incurred by the Group over the Group's interests in the net fair value of the identifiable assets, liabilities and contingent liabilities of Million Good at the date of completion of Acquisition.

For the purpose of preparing the unaudited pro forma balance sheet of the Enlarged Group after the Acquisition, the net book value of identifiable assets, liabilities and contingent liabilities of Million Good as at 31 March 2008, as extracted from the accountants' report on Million Good set out in the Circular, is applied in the calculation of the estimated goodwill arising from the Acquisition. The actual goodwill arising at the date of the completion of the Acquisition may be different from the estimated goodwill and the calculation on the basis as set out above because the fair value of the assets, liabilities and contingent liabilities of Million Good may be substantially different from their book value used in the preparation of the unaudited pro forma balance sheet.

(ii) The adjustments represent (a) the elimination of the Group's entire equity interests in Million Good; and (b) the elimination of amount due from Million Good to a subsidiary of the Group upon the completion of the Acquisition.

F. MANAGEMENT DISCUSSION AND ANALYSIS ON MILLION GOOD

Million Good was incorporated on 8 September 2006 in the British Virgin Islands and is an investment holding company. The major asset held by Million Good is Million Good Property (as defined in the circular of the Company dated 4 September 2008). On 16 July 2008, the Group entered into an acquisition agreement to acquire the entire issued share capital of and the shareholders' loan of Million Good for an aggregate consideration of HK$37,000,000. Under the acquisition agreement, part of the consideration in sum of HK$2,000,000 was paid and the balance of the consideration in the sum of HK$35,000,000 shall be paid to the vendors on or before 270 days from the date of completion of the acquisition together with interest at the rate of 4% per annum accrued from the date of completion of the acquisition to the date of actual payment. As a security for due payment of the balance of the consideration and the interest, a share charge over the shares of Million Good was executed and shares of Million Good were pledged in favour of the vendors. The acquisition was approved by Shareholders at the special general meeting of the Company held on 22 September 2008 and completed on 31 October 2008. There are no variations in the aggregate of the remuneration payable to and benefits in kind receivable by the directors of Million Good in consequence of the acquisition.

General Overview

No turnover was recorded for the two years ended 31 March 2008 as the Million Good Property was self-used and occupied by the directors of Million Good. Profits for the two years ended 31 March 2008 amounted to approximately HK$7.3 million and approximately HK$15.5 million respectively. It was mainly contributed by the fair value gains on investment property for the two years ended 31 March 2008 of approximately HK$7.5 million and approximately HK$17.0 million respectively.

As at 31 March 2008, the major asset of Million Good was the Million Good Property. The total asset value of Million Good amounted to approximately HK$65 million (2007: approximately HK$48 million).

The total liabilities of Million Good amounted to approximately HK$42.4 million for the year ended 31 March 2008 which comprised bank loans and overdrafts due within one year of approximately HK$16.1 million, bank loans due over five years of approximately HK$25.8 million and amounts due to directors of approximately HK$0.5 million.

The total liabilities of Million Good amounted to approximately HK$41 million for the year ended 31 March 2007 which comprised bank loans due within one year of approximately HK$0.6 million, bank loans due over five years of approximately HK$26.6 million and amounts due to directors of approximately HK$13.8 million.

Financial Position

Save for the bank loans and the bank overdrafts, Million Good did not have any significant capital and financial commitments or other contingent liabilities as at 31 March 2007 and 2008.

Million Good's business transactions are mainly denominated in Hong Kong dollar and hence its exposure to fluctuations in foreign exchange risk is insignificant.

Million Good's interest rate risk arises mainly from bank borrowings which expose it to cash flow interest-rate risk. Million Good has not used derivative financial instruments to hedge its interest rate risk.

Liquidity

As at 31 March 2008, Million Good had a cash balance of approximately HK$83,000 (2007: approximately HK$181,000). The gearing ratio of Million Good is calculated as net debt divided by total capital. The gearing ratio decreased from approximately 85% for the year ended 31 March 2007 to approximately 65% for the year ended 31 March 2008.

Material Acquisition or Disposal of Subsidiaries or Associates

For the year ended 31 March 2008, Million Good did not have any material acquisition or disposal of its subsidiaries.

Staff

No staff was employed for the two years ended 31 March 2008.

Charges on Million Good's Assets

As at 31 March 2008, the total bank borrowings was secured by the Million Good Property at the interest rate equivalent to the best lending rate per annum, as quoted by the relevant bank from time to time, minus 0.375% (2007: Nil) for the bank overdrafts and approximately 2.9786% (2007: approximately 5.0364%) for the bank loans.

Future Investment

Million Good has no future plan for material investment and capital assets.

PROSPECTS OF THE ENLARGED GROUP

One of the principal businesses of the Group is involved in property investment and the rental income derived has been a stable source of revenue of the Group in the last two years. The Directors expect that the Enlarged Group will continue to have a stable source of rental income and enjoy the potential of capital gain by owning the Million Good Property.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The following is the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group which has been prepared to illustrate the effect of the Rights Issue on the net tangible assets of the Group as if the Rights Issue has been completed on 30 September 2008. As it is prepared for illustrative purposes only, and because of its nature, it may not give a true picture of the financial position of the Group upon completion of the Rights Issue.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group is prepared based on the net tangible assets of the Group as at 30 September 2008 as extracted from the published unaudited interim report of the Group for the six months ended 30 September 2008 and is adjusted for the effect of the Rights Issue.

	Unaudited consolidated net tangible assets of the Group as at 30 September 2008 *HK$'000* *(Note 1)*	**Estimated net proceeds from the Rights Issue** *HK$'000* *(Note 2)*	**Unaudited pro forma adjusted consolidated net tangible assets of the Group as at 30 September 2008** *HK$'000*
	201,538	60,900	262,438
Unaudited consolidated net tangible assets of the Group as at 30 September 2008 per Share before completion of the share consolidation and the Rights Issue *(Note 3)*			HK$0.161
Unaudited consolidated net tangible assets of the Group as at 30 September 2008 per Share after completion of the share consolidation but before the Rights Issue *(Note 4)*			HK$3.229
Unaudited pro forma adjusted consolidated net tangible assets of the Group as at 30 September 2008 per Share immediately after completion of the share consolidation and the Rights Issue *(Note 5)*			HK$0.526

Notes:

1. The unaudited consolidated net tangible assets of the Group attributable to the Company's equity shareholders as at 30 September 2008 of approximately HK$201,538,000 is based on the total equity of the Group of approximately HK$205,194,000 less minority interests of approximately HK$3,656,000 as shown in the condensed consolidated balance sheet as at 30 September 2008.

2. The estimated net proceeds from the Rights Issue of approximately HK$60,900,000 are based on 436,867,095 Rights Shares at the subscription price of HK$0.144 per Rights Share, on the basis of seven Rights Shares for every Shares on the Record Date and payable in full on acceptance, after deducting the estimated share issue expenses of approximately HK$2.0 million to be incurred by the Company.

3. Based on 1,248,191,704 shares in issue immediately before completion of the share consolidation and the Rights Issue as at the Latest Practicable Date.

4. Based on 62,409,585 shares in issue immediately after completion of the share consolidation but before the Rights Issue as at the Latest Practicable Date.

5. Based on 499,276,680 shares in issue immediately after completion of the share consolidation and the Rights Issue, assuming all qualifying shareholders take up their respective entitlements under the Rights Issue and the Rights Issue had been completed on 30 September 2008.

6. No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 September 2008.

B. REPORT ON THE UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

呂禮恒會計師事務所有限公司
Kennic L. H. Lui & Co. Ltd.
Certified Public Accountants (Practising)

5/F, Ho Lee Commercial Building,
38–44 D'Aguilar Street, Central, Hong Kong
香港中環德己立街38–44號好利商業大廈5字樓

9th February, 2009

The Board of Directors
HyComm Wireless Limited

Dear Sirs,

We report on the unaudited pro forma statement of adjusted consolidated net tangible assets (the "Unaudited Pro Forma Financial Information") of HyComm Wireless Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the rights issue of not more than 436,867,095 rights shares on the basis of seven shares for every share held on the record date (i.e. 4th February, 2009) might have affected the consolidated net tangible assets of the Group presented, for inclusion as Appendix III to the prospectus of the Company dated 9th February, 2009 (the "Prospectus"). The basis of preparation of the Unaudited Pro Forma Financial Information is set out in Section A of Appendix III to the Prospectus.

Respective responsibilities of the directors of the Company and reporting accountants

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

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

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

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

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgments and assumptions of the directors of the Company, and because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 30 September 2008 or any future date.

Opinion

In our opinion:

a. the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

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

c. the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully
Kennic L. H. Lui & Co. Ltd.
Certified Public Accountants (Practising)

Lau Wu Kwai King, Lauren
Practising certificate number: P02651
Hong Kong

1. RESPONSIBILITY STATEMENT

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

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date and immediately following completion of the Rights Issue was and will be, as follows:

Authorised		*HK$*
20,000,000,000	Shares	2,000,000,000.00
Issued and to be issued as fully paid		
62,409,585	Shares as at the Latest Practicable Date	6,240,958.50
436,867,095	Rights Shares to be issued pursuant to the Rights Issue	43,686,709.50
499,276,680	Shares	49,927,668.00

All the Shares in issue and to be issued (when fully paid) rank and will rank pari passu in all respects with each other including rights to dividends, voting and return of capital. As at the Latest Practicable Date, no share or loan capital of the Company has been issued or is proposed to be issued for cash or otherwise and no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any such capital, except for the Rights Issue.

The Shares are listed on the Main Board of the Stock Exchange. No part of the Share or loan capital of the Company is listed or dealt in, nor is listing or permission to deal in the Share or loan capital of the Company being, or proposed to be, sought, on any other stock exchange. There are no arrangements under which future dividends will be waived or agreed to be waived.

Save for the Convertible Notes, the Company has no share or loan capital of the Company or any member of the Group has been put under option or agreed conditionally or unconditionally to be put under option and no warrant or conversion right affecting the Shares has been issued or granted or agreed conditionally or unconditionally to be issued or granted.

3. DIRECTORS' INTERESTS IN SECURITIES

As at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions, if any, which they were taken or deemed to have under such provisions of the SFO); (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to in such provisions of the SFO; or (iii) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

4. SUBSTANTIAL SHAREHOLDERS' INTERESTS

So far as is known to the Directors or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would fall to be disclosed under provisions of Division 2 and 3 of Part XV of the SFO, or who, as at the Latest Practicable Date, was directly and indirectly interested in ten per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member the Group.

Name	**Capacity**	**Number of Shares held** *(Note 5)*	**Approximate % of shareholding interest** *(Note 5)*
Regal Power Investments Limited *(Note 1)*	Beneficial Owner	148,500,000	29.74
Chan Yuen Ming *(Note 1)*	Interest of controlled corporation	148,500,000	29.74
Joy Glory Limited *(Note2)*	Beneficial Owner	72,000,000	14.42
Lau Chi Yuen, Joseph *(Note 2)*	Beneficial Owner/ Interest of controlled corporation	96,400,000	19.30
Head & Shoulders *(Note 3)*	Beneficial Owner	211,267,095	42.31
Simsen International Corporation Limited *(Note 3)*	Interest of controlled corporation	211,267,095	42.31
Billion Gain Development Limited *(Note 4)*	Beneficial Owner	94,000,000	18.82
Beh Yong Shin *(Note 4)*	Interest of controlled corporation	94,000,000	18.82

Notes:

1. Regal Power is wholly and beneficially owned by Mr. Chan, who is also a director of Regal Power. Regal Power holds 16,250,000 Shares and undertakes to subscribe for 113,750,000 Shares to which it is entitled under the Rights Issue and has conditionally agreed to underwrite a maximum of 18,500,000 Rights Shares pursuant to the Underwriting Agreement.

2. Joy Glory is wholly and beneficially owned by Mr. Lau, who is also a director of Joy Glory. Mr. Lau holds 3,050,000 Shares and undertakes to subscribe for 21,350,000 Shares to which it is entitled under the Rights Issue and Joy Glory has conditionally agreed to underwrite a maximum of 72,000,000 Rights Shares pursuant to the Underwriting Agreement.

3. Head & Shoulders is beneficially owned by Simsen International Corporation Limited, a company listed on the Stock Exchange (stock code:00993). Head & Shoulders has conditionally agreed to underwrite a maximum of 211,267,095 Rights Shares pursuant to the Underwriting Agreement. Head & Shoulders entered into various sub-underwriting agreements with independent third parties sub-underwriters whereby such sub-underwriters have agreed to subscribe and/or procure subscribers to subscribe for Underwritten Shares, as a result of which the Company shall maintain a 25% public float after the allotment and issue of the Underwritten Shares to such sub-underwriters or subscribers.

4. Billion Gain Development Limited ("Billion Gain") is wholly and beneficially owned by Miss Beh Yong Shin, who is also a director of Billion Gain. Billion Gain had entered into an agreement with Head & Shoulders whereby, Billion Gain has agreed, subject to the Underwriting Agreement becoming unconditional and each of Regal Power and Joy Glory taking up their maximum permitted Underwritten Shares, to subscribe for a maximum of 94,000,000 Underwritten Shares.

5. For the purpose of this Prospectus, the shareholding percentage in the Company is calculated on the basis of 499,276,680 Shares in issue upon completion of the Rights Issue.

Save as disclosed above, so far as is known to the Directors or chief executive of the Company, the Company had not been notified of any other interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would fall to be disclosed under provisions of Division 2 and 3 of Part XV of the SFO, or any persons (other then the Directors and chief executive of the Company) who, as at the Latest Practicable Date, was directly and indirectly interested in ten per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member the Group.

5. SERVICE CONTRACT

As the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which does not expire or is not terminable by such member of the Group within one year without payment of compensation (other than statutory compensation).

6. LITIGATION

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

7. COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or their respective associates were considered to have interest in any business which competes or may compete, either directly or indirectly, with the business of the Group or have or may have any other conflicts of interest with the Group pursuant to the Listing Rules.

8. DIRECTORS' INTEREST IN CONTRACTS AND ASSETS

No contract or arrangement in which any of the Directors is materially interested and which is significant in relation to the business of the Group subsisted as at the Latest Practicable Date. As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31st March, 2008 (the date to which the latest published audited consolidated accounts of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

9. EXPERT AND CONSENT

The following is the qualification of the expert whose letter and report are contained in this Prospectus:

Name	Qualification
Kennic L. H. Lui & Co. Ltd.	Certified Public Accountants

Kennic L. H. Lui & Co. Ltd. has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion of its letter and report and the reference to its name in the form and context in which it appears.

As at the Latest Practicable Date, Kennic L. H. Lui & Co. Ltd. did not have any shareholding in any member of the Group and did not have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Kennic L. H. Lui & Co. Ltd. did not have any direct or indirect interest in any assets which have been, since 31st March, 2008 (the date to which the latest published audited consolidated accounts of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

10. MATERIAL CONTRACTS

Within the two years immediately preceding the date of this Prospectus, the following are contracts (not being contracts entered into in the ordinary course of business) entered into by the members of the Group which are or may be material:

(i) the sale and purchase agreement dated 27th July, 2007 and entered into among the Company and Mr. Yung Yu Ping ("Mr. Yung") in relation to the acquisition of the right to operate rural land pursuant to the contracts entered into by Mr. Yung for contracting of the operation of the rural land and of the exploitation of timber on the rural land referred to in the relevant contracts for an aggregate consideration of HK$58,000,000;

(ii) the sale and purchase agreement dated 13th August, 2007 and entered into between Election International Limited and Plotio Limited and Lai Yiu Keung and Plotio Development (HK) Limited as vendor and Asset Luck Development Limited as purchaser in respect of the acquisition of the entire share capital of Billtech Limited for an aggregate consideration of HK$18,000,000;

(iii) the agreement dated 24th August, 2007 and entered into between the Company, Delancey Limited, Executive Talent Limited, Noblemore Holdings Limited in connection with the conditional acquisition of 7.5% of the issued share capital in Corning Investments Limited for an aggregate consideration of HK$27,000,000;

(iv) the agreement dated 10th October, 2007 and entered into between the Company and Hani Securities (H.K.) Limited in relation to the placing of 5% HK$240,000,000 convertible notes due 2010;

(v) the conditional sale and purchase agreement dated 18th December, 2007 and entered into between Waterful Investment Limited and Rexy Investment Limited in relation to the disposal of the entire issued share capital of Uni-tech Properties Limited and the shareholders' loan owed by City Friend Development Limited to Plotio Holdings (HK) Limited as at the date of completion for an aggregate consideration of HK$55,500,000;

(vi) the sale and purchase agreement dated 5th March, 2008 and entered into among the Company and Casa Rossa Holdings Limited in relation to the disposal of the right to operate rural land pursuant to the contracts entered into by Mr. Yung for contracting of the operation of the rural land and of the exploitation of timber on the rural land referred to in the relevant contracts for an aggregate consideration of HK$58,800,000;

(vii) the conditional share subscription agreement dated 12th March, 2008 and entered into between the Company and Regal Power in relation to the subscription of an aggregate of 590,000,000 Shares by Regal Power in consideration of Regal Power procuring to transfer 130,386,800 shares in Tomorrow International Holdings Limited to the Company;

(viii) the conditional sale and purchase agreement dated 16th July, 2008 and entered into among Capital Up Holdings Limited and Mr. Choi Chiu Fai, Stanley and Ms. Cheung Fung Kuen, Maggie in relation to the acquisition of the entire issued share capital of Million Good Group Limited and the loans owed by Million Good Group Limited to Mr. Choi Chiu Fai, Stanley and Ms. Cheung Fung Kuen, Maggie as at the date of completion for an aggregate consideration of HK$37,000,000;

(ix) the underwriting agreement dated 16th July, 2008 and entered into between the Company, Regal Power, and Head & Shoulders in relation to the open offer of not more than 416,063,901 offer shares on the basis of one offer share for every two shares held on 27th August, 2008 at a price of HK$0.1 per offer share;

(x) the conditional sale and purchase agreement dated 8th August, 2008 and entered into among Ever Rich Develop Limited, Rexy Investment Limited ("Rexy") and Plotio Limited ("Plotio") in relation to the acquisition of the entire issued ordinary share capital of Oriental Gain Properties Limited and the loans owed by Oriental Gain Properties Limited to the Company, Rexy and Plotio as at the date of completion for an aggregate consideration of HK$42,900,000; and

(xi) the Underwriting Agreement.

11. CORPORATE INFORMATION

Registered office	Clarendon House, 2 Church Street Hamilton HM 11, Bermuda
Head office and principal place of business in Hong Kong	Room 1211, 12/F., Tower 1 New World Tower 18 Queen's Road Central Hong Kong
Authorised representatives	Mr. Yeung Sau Chung Mr. Liu Shun Chuen
Qualified accountant & Company Secretary	Mr. Chan King Chung
Auditors	Kennic L.H. Lui & Co. Ltd. Certified Public Accountants 5th Floor, Ho Lee Commercial Building 38–44 D'Aguilar Street Central, Hong Kong
Legal Advisers	*as to Hong Kong law* Robertsons, Solicitors & Notaries 57th Floor, The Center 99 Queen's Road Central Hong Kong *as to Bermuda law* Conyers Dill & Pearman 2901 One Exchange Square 8 Connaught Place Central, Hong Kong
Principal share registrar and transfer office	Bank of Bermuda Limited Bank of Bermuda Building 6 Front Street Hamilton HM11 Bermuda
Hong Kong branch share Registrar and transfer office	Tricor Secretaries Limited 26th Floor, Tesbury Centre 28 Queen's Road East Wanchai, Hong Kong

Principal bankers	The Bank of East Asia Limited 10 Des Voeux Road Central, Hong Kong
	China Construction Bank (Asia) Corporation Limited 6 Des Voeux Road Central, Hong Kong
	Wing Lung Bank Limited 45 Des Voeux Road Central, Hong Kong
	LGT Bank in Liechtenstein (Singapore) Ltd. 3 Temasek Avenue No. 30–01 Contennial Tower Singapore 039190 Republic of Singapore
	Fubon Bank (Hong Kong) Limited Fubon Bank Building 38 Des Voeux Road Central, Hong Kong

12. BINDING EFFECT

This Prospectus shall have the effect, if an application is made in pursuance of this Prospectus, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of Section 44A and 44B of the Companies Ordinance, so far as applicable.

13. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

A copy of each of the Prospectus Documents and the consent letter given by Kennic L.H. Lui & Co. have been registered with the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance. Copies of the Prospectus Documents have been, or will as soon as reasonably practicable be, filed with the Registrar of Companies in Bermuda in accordance with Section 26(1) of the Companies Act.

14. MISCELLANEOUS

(a) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and the head office and principal place of business in Hong Kong is at Room 1211, 12/F., New World Tower 1, No. 18 Queen's Road Central, Hong Kong.

(b) The qualified accountant and secretary of the Company is Mr. Chan King Chung, who is a member of The Hong Kong Institute of Certified Public Accountants.

(c) The principal share registrar and transfer office is Bank of Bermuda Limited, Bank of Bermuda Building, 6 Front Street, Hamilton HM 11, Bermuda.

(d) The Hong Kong branch share registrar of the Company is Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(e) The English text of this Prospectus shall prevail over the Chinese text.

15. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the head office and principal place of business of the Company in Hong Kong at Room 1211, 12/F., Tower 1, New World Tower, 18 Queen's Road Central, Hong Kong, up to and including 23rd February, 2009:

(a) the memorandum of association and bye-laws of the Company;

(b) the annual report of the Company for the two financial years ended 31st March, 2008;

(c) the material contracts referred to in the paragraph headed "Material Contracts" in this appendix;

(d) a circular dated 7th April, 2008 in relation to a discloseable transaction involving acquisition of approximately 5.8% issued shares in Tomorrow International Holdings Limited;

(e) a circular dated 4th September, 2008 in relation to major transactions involving acquisition of the entire issued share capital of Million Good Group Limited and the loans owed by Million Good Group Limited to Mr. Choi Chiu Fai, Stanley and Ms. Cheung Fung Kuen, Maggie and disposal of the entire issued share capital of Oriental Gain Properties Limited and the loans owed by Oriental Gain Properties Limited to the Company, Rexy Investment Limited and Plotio Limited;

(f) a circular dated 20th October, 2008 in relation to a discloseable transaction involving disposals on market of an aggregate 28,800,000 shares in Inno-Tech Holdings Limited;

(g) a letter from Kennic L. H. Lui & Co. Ltd. in respect of the unaudited pro-forma financial information on the Group referred to in Appendix III to this Prospectus;

(h) a letter of consent from Kennic L. H. Lui & Co. Ltd. referred to in the section headed "Expert and Consent" in this Appendix;

(i) the Circular; and

(j) this Prospectus.

16. PARTICULARS OF DIRECTORS

Executive Directors

Lai Yiu Keung ("Mr. Lai"), aged 58, of Room 1211, 12/F., Tower 1, New World Tower, 18 Queen's Road Central, Hong Kong is the chairman and managing director of the Company. He is the founder of the Group and has over 26 years of experience in the property business and construction industry. Prior to establishing the Group in 1980, Mr Lai had eight years of experience as a planning designer of buildings in two architectural firms. He has been in charge of the acquisition and overall development of the technology-related & communication businesses of the Group over the past few years. He is currently responsible for the overall management, corporate strategy and daily operations of the Group. Mr. Lai has not entered into service contract with the Company and is subject to retirement by rotation and re-election pursuant to the Company's Bye-laws. He is entitled to a director's fee which is determined by making reference to his duties and responsibilities in the Company and the prevailing market conditions.

Save as disclosed herein, Mr. Lai does not hold shares of the Company within the meaning of Part XV of the SFO. Mr. Lai does not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company or its subsidiaries. Mr. Lai has confirmed to the Company that he had not held directorship in any other listed companies in Hong Kong during the last three years, nor has he previously held any positions with the Group.

Liu Shun Chuen ("Mr. Liu") of Room 1211, 12/F., Tower 1, New World Tower, 18 Queen's Road Central, Hong Kong was appointed as an executive director of the Company with effect from 12th October, 2007. Mr. Liu, aged 45, holds a Bachelor of Science degree in Business Administration from San Francisco State University, the United States of America, and a Bachelor degree in Estate Management from University of Reading, United Kingdom. He has more than 10 years experience in property development and investment in Hong Kong and the PRC.

Mr. Liu has not entered into service contract with the Company and is subject to retirement by rotation and re-election pursuant to the Company's Bye-laws. He is entitled to a director's fee which is determined by making reference to his duties and responsibilities in the Company and the prevailing market conditions.

Save as disclosed herein, Mr. Liu does not hold shares of the Company within the meaning of Part XV of the SFO. Mr. Liu does not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company or its subsidiaries. Mr. Liu has confirmed to the Company that he had not held directorship in any other listed companies in Hong Kong during the last three years, nor has he previously held any positions with the Group.

Yeung Sau Chung ("Mr. Yeung") of Room 1211, 12/F., Tower 1, New World Tower, 18 Queen's Road Central, Hong Kong was re-designated from an independent non-executive director of the Company to an executive director of the Company with effect from 11th December, 2007. Mr. Yeung, aged 42, has more than 15 years experience in research and analysis of investment portfolio and risk management. He holds a Bachelor of Arts degree in Accountancy from City University of Hong Kong.

Mr. Yeung has not entered into service contract with the Company and is subject to retirement by rotation and re-election pursuant to the Company's Bye-laws. He is entitled to a director's fee which is determined by making reference to his duties and responsibilities in the Company and the prevailing market conditions.

Save as disclosed herein, Mr. Yeung does not hold shares of the Company within the meaning of Part XV of the SFO. Mr. Yeung does not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company or its subsidiaries. Mr. Yeung has confirmed to the Company that he had not held directorship in any other listed companies in Hong Kong during the last three years, nor has he previously held any positions with the Group.

Independent Non-executive Directors

Jacobsen William Keith ("Mr. Jacobsen"), aged 41, of 8/F., California Entertainment Building, 34 D'Aguilar Street, Hong Kong was appointed as an independent non-executive director and a member of audit committee of the Company with effect from 20th June, 2008. He has more than 15 years experience in corporate finance and business development. He holds a Bachelor of Laws from the University of Hong Kong and a Master of Business Administration from the University of British Columbia.

Mr. Jacobsen has not entered into service contract with the Company and is subject to retirement by rotation and re-election pursuant to the Company's Bye-laws. He is entitled to a director fee of HK$120,000 per annum, which is determined by making reference to his duties and responsibilities in the Company and the prevailing market conditions.

Save as disclosed herein, Mr. Jacobsen does not hold shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance and does not have any relationship with any director, senior management or substantial or controlling shareholders of the Company or its subsidiaries.

Currently, Mr. Jacobsen is an independent non-executive director of Yun Sky Chemical (International) Holdings Limited (Stock Code: 00663). Save as disclosed herein, Mr. Jacobsen has confirmed to the Company that he had not held directorship in any other listed companies in Hong Kong during the last three years, nor has he previously held any positions with the Group.

Wu Wang Li ("Mr. Wu"), aged 32, of Room G, 15/F., Block 5, Royal Peninsula, Hunghom, Kowloon, Hong Kong was appointed as an independent non-executive director and a member of audit committee of the Company with effect from 31st December, 2007. Mr. Wu obtained his bachelor of commerce degree from Deakin University and has over 9 years of experience in auditing and accounting profession and consulting services. Mr. Wu is a director of Skywise Consultants Limited, which is principally engaged in provision of business consulting services such as financial and accounting services and is admitted to the status of Certified Practicing Accountant of CPA Australia.

Mr. Wu has not entered into service contract with the Company and is subject to retirement by rotation and re-election pursuant to the Company's Bye-laws. Save as disclosed herein, Mr. Wu does not hold shares of the Company within the meaning of Part XV of the SFO and does not have any relationship with any director, senior management or substantial or controlling shareholders of the Company or its subsidiaries.

Currently, he is an independent non-executive director of Tomorrow International Holdings Limited (Stock Code: 00760) and Yun Sky Chemical (International) Holdings Limited (Stock Code: 00663). Save as disclosed herein, Mr. Wu has confirmed to the Company that he had not held directorship in any other listed companies in Hong Kong during the last three years, nor has he previously held any positions with the Group.

Ng Wai Hung ("Mr. Ng"), aged 44, of 20th Floor, Gloucester Tower, The Landmark, 17 Pedder Street, Central, Hong Kong was appointed as an independent non-executive director and a member of audit committee of the Company with effect from 10th January, 2008. Mr. Ng is a practicing solicitor and a partner of Iu, Lai & Li, a Hong Kong firm of solicitors and notaries. Mr. Ng has extensive experience in the area of securities laws, corporate law and commercial law in Hong Kong and has been involved in initial public offerings of securities in Hong Kong as well as corporate restructuring and merger and acquisitions and takeovers of listed companies. He frequently advises multinational and Hong Kong corporations on private equity investments, joint venture as well as regulatory compliance.

Mr. Ng has not entered into service contract with the Company and is subject to retirement by rotation and re-election pursuant to the Company's Bye-laws. Save as disclosed herein, Mr. Ng does not hold shares of the Company within the meaning of Part XV of the SFO and does not have any relationship with any director, senior management or substantial or controlling shareholders of the Company or its subsidiaries.

Mr. Ng is currently an independent non-executive director of KTP Holdings Limited (Stock Code: 00645), Fortune Sun (China) Holdings Limited (Stock Code: 00352) and Tomorrow International Holdings Limited (Stock Code: 00760) and Yun Sky Chemical (International) Holdings Limited (Stock Code: 00663). Save as disclosed herein, Mr. Ng has confirmed to the Company that he had not held directorship in any other listed companies in Hong Kong during the last three years, nor has he previously held any positions with the Group.

Set out below is a summary of certain provisions of the Memorandum of Association and Bye-laws of the Company.

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. Paragraph 6 of the Memorandum of Association sets out the objects for which the Company was formed and the Company's powers are set out in paragraph 7. 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 upon such terms and subject to such conditions as it thinks fit.

2. BYE-LAWS

The Bye-laws were adopted on 22 July 1997 and amended on 30 September 2004. 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, the Bye-laws and to any special rights conferred on the holders of any shares or attaching to any class of shares, 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, no shares may be issued by the Board without the prior approval of the Company in general meeting but subject thereto and to 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.

Except as permitted under the rules or regulations of the Designated Stock Exchange (as defined in the Bye-laws) or any direction given by the Company in general meeting, all new shares shall before issue be offered to such persons who as at the date of the offer are entitled to receive notices from the Company of general meetings in proportion, as far as the circumstances admit, to the amount of the existing shares to which they are entitled.

(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.

(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 in respect of any contract or arrangement or proposed contract or arrangement in which he or any of his associates has directly or indirectly a material interest. Matters in which he or his associate(s) shall not be considered to have a material interest shall include the following:

(aa) any contract or arrangement for the giving to such Director or any of 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;

(bb) 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 any of his associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any contract or arrangement in which he or any of his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company or any of its subsidiaries by virtue only of his/their interest in shares or debentures or other securities of the Company;

(dd) any contract or arrangement concerning any other company in which he or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder other than a company in which the Director together with any of his associates is beneficially interested in (other than through his interest (if any) in the Company) five (5) per cent or more of the issued shares or of the voting rights of any class of shares of such company (or any third company through which his interest is derived); or

(ee) any proposal 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 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 to the employees 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. and shall (unless otherwise directed by the resolution by which it is voted) 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, but he shall not in any circumstances be remunerated by a commission on or a percentage of turnover.

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 the chairman of the Board and/or the managing director of the Company shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year. 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, where a maximum number of Directors has been determined by the members and the members have authorised the Board to appoint additional Directors, as an additional Director. Any Director appointed by the Board shall retire at the next annual general meeting of the Company and shall then be eligible for re-election at that 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 a special 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. The Company may from time to time by ordinary resolution determine the maximum number of directors and increase or reduce the number of Directors but the number of Directors shall never be less than two.

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. 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 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 for any debt, liability or obligation of the Company or of any third party.

(b) Alterations to constitutional documents

No Bye-laws shall be rescinded, altered or amended and no new Bye-laws shall be made until the same has been approved by a resolution of the Directors and confirmed by a special resolution of the Members. A special resolution shall be required to alter the provisions of the Memorandum of Association 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 any share premium account or other undistributable reserve in any manner permitted by law.

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

Whenever the share capital of the Company is divided into different classes of shares, subject to the Companies Act, all or any of the special rights for the time being attached to the shares or any class of shares may, unless otherwise provided by the terms of issue of the shares of that class, from time to time (whether or not the Company is being wound up) may be varied or abrogated either with the consent in writing of the holders of three-quarters in nominal value of the issued shares of the class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of the class. To every such separate general meeting and all adjournments thereof all the provisions of the Bye-laws relating to general meetings of the Company and to the proceedings thereat shall mutatis mutandis apply, but so that: (a) 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) at least holding or representing by proxy at least one-third in nominal value of the issued shares of the 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; (b) that every holder of shares of the class shall be entitled on a poll to one vote for every share held by him; and (c) 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.

(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 (i) on a show of hands every member present in person (or being a corporation, is present by a representative duly authorised under Section 78 of the Companies Act), or by proxy shall have one vote, and (ii) on a poll every member present in person or by proxy or, in the case of a member 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 instalments is treated for the foregoing purposes as paid up on the share.

A resolution put to the vote of a general meeting shall 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:

(a) by the chairman of such meeting; or

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

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

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

(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 to be kept proper records of account with respect to all sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place; all sales and purchases of goods by the Company; the assets and liabilities of the Company; and 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 records of account shall be kept at the registered office or, subject to the Companies Act, at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right of inspecting any accounting record or book or document of the Company except as conferred by law or authorised by the Board or the Company in general meeting.

Subject to the Companies Act, a printed copy of the Directors' report, accompanied by the balance sheet and profit and loss account, including every document required by law to be annexed thereto, made up to the end of the applicable financial year and containing a summary of the assets and liabilities of the Company under convenient heads and a statement of income and expenditure, together with a copy of the auditors' report, shall be sent to each person entitled thereto at least 21 days before the date of the general meeting and at the same time as the notice of annual general meeting and laid before the Company in general meeting in accordance with the requirements of the Companies Act provided that this provision shall not require a copy of those documents to be sent to any person whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

Subject to the Companies Act, at each annual general meeting or at a subsequent special general meeting in each year, the members shall appoint an auditor to hold office until the close of the next annual general meeting, and if an appointment is not so made, the auditor shall continue in office until a successor is appointed. 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

Subject to the Bye-laws, any member may transfer all or any of his shares by an instrument of transfer in the form acceptable to the Board.

The instrument of transfer of any share shall be signed by or on behalf of both the transferor and the transferee. The Board may also resolve, either generally or in any particular case, upon request by either the transferor or 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 three 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 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, subject to the Companies Act, the Memorandum of Association and, for so long as the shares of the Company are listed on the Designated Stock Exchange (as defined in the Bye-laws), the prior approval of the members in general meeting. The Bye-laws do not contain any provisions which permit the Company to hold any repurchased Shares as treasury shares.

(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

The Board may, subject to the Bye-laws and in accordance with the Companies Act, declare a dividend in any currency to be paid to the members but no dividend or distribution shall be declared by the Company in general meeting in excess of the amount recommended by the Board. No dividend shall be paid or distribution made 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 if the Board so determines) 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 entitled to attend and vote at a meeting of the Company who is the holder of two or more shares shall be entitled to appoint not more than two proxies to attend and vote instead of him at the same general meeting.

(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).

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 without charge or by any other person upon a maximum payment of five Bermuda dollars (BD$5.00) at the registered office or such other place in Bermuda at which the register is kept in accordance with the Companies Act or, if appropriate, upon a maximum payment of ten dollars at the Registration Office (as defined in the Bye-laws) or at the office of a share transfer agent of the Company, 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.

(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.

(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 species 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 provision

The Bye-laws 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

No Bye-laws shall be rescinded, altered or amended and no new Bye-laws shall be made until the same has been approved by a resolution of the Directors and confirmed by a special resolution of the Members. A special resolution shall be required to alter the provisions of the Memorandum of Association of the Company.

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 to be issued to members of the company as fully paid bonus shares; or

(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 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 Bermuda 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 document 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 summarised financial statements instead. The summarised 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 summarised financial statements sent to the company's members must be accompanied by an auditor's report on the summarised 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 summarised 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 28 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% 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 summarised 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.