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If you have sold or transferred all your shares in Freeman Corporation Limited, you should at once hand this circular together with the enclosed form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee. This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities.

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FREEMAN CORPORATION LIMITED

民豐控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 279)

VERY SUBSTANTIAL ACQUISITION

A notice convening the EGM to be held at 9:00 a.m. on 16 February 2009 at 30th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong is set out on pages EGM-1 to EGM-3 of this circular. Whether or not you are able to attend the EGM, you are advised to read the notice and to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's share registrars, Tricor Secretaries Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjourned meeting should you so wish.

30 January 2009

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	5
APPENDIX I – FINANCIAL INFORMATION OF THE GROUP	I – 1
APPENDIX II – ACCOUNTANT’S REPORT OF THE HENNABUN GROUP	II – 1
APPENDIX III – UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP	III – 1
APPENDIX IV – ADDITIONAL FINANCIAL INFORMATION ON THE GROUP AND THE ENLARGED GROUP	IV – 1
APPENDIX V – VALUATION REPORT ON PROPERTIES HELD BY THE ENLARGED GROUP	V – 1
APPENDIX VI – GENERAL INFORMATION	VI – 1
NOTICE OF EGM	EGM – 1

DEFINITIONS

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

“Announcement”	the announcement of the Company dated 10 December 2008 in relation to the Hennabun Shares Acquisition and the Hennabun Convertible Note Subscription
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“business day(s)”	any day except Saturdays and Sundays on which banks in Hong Kong are open for business
“BVI”	British Virgin Islands
“Capital Reorganization”	the capital reorganization of the Company involving proposed reduction of par value of the Company’s shares from HK\$0.1 each to HK\$0.02 each (“Reduced Shares”) and share consolidation of every five Reduced Shares into one Share, details of which are contained in the circular of the Company dated 25 August 2008 and which became effective after 4:11 p.m. on 25 November 2008
“Chuang Loan”	the interest free working capital facilities provided by Capital Union Inc., which is a company controlled by Mr. Chuang, for the operations of the Hennabun Group
“CN Subscription Agreement”	the subscription agreement entered into between FFSL (as amended by a supplemental agreement dated 23 January 2009), Mr. Chuang and Hennabun on 25 November 2008, pursuant to which, inter alia, FFSL agreed to subscribe for and Hennabun agreed to issue the Hennabun Convertible Note at an amount of HK\$250 million
“Company”	Freeman Corporation Limited (民豐控股有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange

DEFINITIONS

“Completion Date”	the date on which completion of the Hennabun Shares Acquisition takes place
“concert parties”	the meaning ascribed thereto under the Takeovers Code
“connected person(s)”	the meaning ascribed thereto under the Listing Rules
“Conversion Shares”	the Shares to be issued by the Company upon conversion of the FCL Convertible Note pursuant to the terms and conditions of the FCL Convertible Note
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be at 9:00 a.m. on 16 February 2009 at 30th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong for Shareholders to consider and, if thought fit, approve, amongst other things, the S&P Agreement and the CN Subscription Agreement together with the transactions contemplated thereunder
“Enlarged Group”	the Group, as enlarged by the Hennabun Group
“Equity Spin”	Equity Spin Investments Limited, a company incorporated in the BVI with limited liability and is principally engaged in investment holding
“FCL Convertible Note”	the convertible note in the principal amount of HK\$105.8 million to be issued by the Company pursuant to the terms and conditions of the S&P Agreement
“FFSL”	Freeman Financial Services Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“Hennabun”	Hennabun Capital Group Limited (formerly known as Hennabun Management International Limited before 25 May 2007), a company incorporated in the BVI

DEFINITIONS

“Hennabun Completion Accounts”	the audited consolidated income statement of the Hennabun Group for the period from 30 September 2008 to the Completion Date’s previous month end and the consolidated balance sheet of the Hennabun Group as at the Completion Date’s previous month end date
“Hennabun Conversion Shares”	ordinary shares of US\$0.01 each to be issued by Hennabun upon conversion of the Hennabun Convertible Note pursuant to the terms and conditions of the Hennabun Convertible Note
“Hennabun Convertible Note”	the convertible note in the principal amount of HK\$250 million to be issued pursuant to the terms and conditions of the CN Subscription Agreement
“Hennabun Convertible Note Subscription”	the subscription for the Hennabun Convertible Note by FFSL at a cash consideration of HK\$250 million pursuant to the CN Subscription Agreement
“Hennabun Disposals”	the disposal of two subsidiaries by Hennabun since 30 September 2008, details of which are set out in the section headed “Information about the Hennabun Group” in Letter from the Board obtained in this circular
“Hennabun Group”	Hennabun and its subsidiaries
“Hennabun Shares Acquisition”	the purchase of the Sale Shares from Equity Spin by FFSL pursuant to the S&P Agreement
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Last Trading Date”	24 November 2008, being the last trading day for the Shares on the Stock Exchange before the release of the Announcement
“Latest Practicable Date”	24 January 2009, being the latest practicable date prior to the printing of this circular for ascertaining certain information herein

DEFINITIONS

“Listing Committee”	the sub-committee of the board of directors of the Stock Exchange responsible for listing
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Chuang”	Mr. Chuang Eugene Yue-chien, the beneficial owner of Equity Spin
“Noteholder(s)”	the holder(s) of the FCL Convertible Note
“S&P Agreement”	the sale and purchase agreement entered into between FFSL, Mr. Chuang and Equity Spin on 25 November 2008, pursuant to which, inter alia, FFSL agreed to purchase and Equity Spin agreed to sell the Sale Shares for a consideration of HK\$105.8 million
“Sale Shares”	3,937,133,333 fully paid ordinary shares of US\$0.01 each of Hennabun, representing approximately 79.46% of the existing issued share capital of Hennabun, to be sold by Equity Spin to FFSL pursuant to the S&P Agreement
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	fully paid ordinary share(s) of HK\$0.10 each in the issued share capital of the Company (adjusted to reflect the effect of the Capital Reorganisation)
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States
“%”	per cent.

LETTER FROM THE BOARD



FREEMAN CORPORATION LIMITED

民豐控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 279)

Executive Directors:

Dr. Yang Fan Shing, Andrew (*Chairman*)
Mr. Lo Kan Sun (*Managing Director*)
Ms. Kwok Wai Ming
Ms. Au Shuk Yee, Sue
Mr. Scott Allen Phillips

Non-executive Director:

Mr. Kwong Wai Tim, William

Independent Non-executive Directors:

Mr. Chiu Siu Po
Ms. Hui Wai Man, Shirley
Mr. Gary Drew Douglas
Mr. Peter Temple Whitelam

Alternate Director to Ms. Kwok Wai Ming:

Ms. Chong Wing Sze

Registered office:

The offices of Codan Trust Company
(Cayman) Limited at
Cricket Square, Hutchins Drive
P.O. Box 2681, Grand Cayman
KY1-1111, Cayman Islands

Principal office of business

in Hong Kong and head office:
8th Floor
China United Centre
28 Marble Road
North Point, Hong Kong

30 January 2009

To the Shareholders

Dear Sir/Madam,

VERY SUBSTANTIAL ACQUISITION

INTRODUCTION

It was set out in the Announcement that on 25 November 2008, FFSL, a wholly-owned subsidiary of the Company, as purchaser, entered into the S&P Agreement with Equity Spin as vendor, pursuant to which FFSL agreed to purchase and Equity Spin agreed to sell the Sale Shares for a consideration of HK\$105.8 million. The Sale Shares represent approximately 79.46% of the existing issued share capital of Hennabun. The consideration for the Hennabun Shares Acquisition shall be satisfied by the issue of the FCL Convertible Note by the Company to Equity Spin.

LETTER FROM THE BOARD

On the same day, FFSL as subscriber entered into the CN Subscription Agreement with Hennabun, pursuant to which FFSL agreed to subscribe for and Hennabun agreed to issue the Hennabun Convertible Note in a principal amount of HK\$250 million.

This circular contains details of the S&P Agreement and the CN Subscription Agreement as required under the Listing Rules.

THE S&P AGREEMENT

- Date : 25 November 2008
- Parties : (a) FFSL (as purchaser), a wholly-owned subsidiary of the Company
- (b) Equity Spin (as vendor), wholly-owned by Mr. Chuang
- (c) Mr. Chuang (as guarantor of Equity Spin)

Equity Spin is a company incorporated in the BVI with limited liability. It is principally engaged in investment holding.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of Equity Spin and Mr. Chuang is a third party independent of the Company and connected persons of the Company.

Assets to be acquired

Pursuant to the terms and conditions of the S&P Agreement, FFSL agreed to purchase or procure the purchase of, and Equity Spin agreed to sell or procure the sale of, the Sale Shares, representing approximately 79.46% of the existing issued share capital of Hennabun.

Hennabun is a company incorporated in the BVI with limited liability. Hennabun Group is engaged in the provision of financial services including security brokerage, commodity trading, money lending, margin financing and corporate finance advisory as well as proprietary trading and direct investment. The consolidated net assets value of the Hennabun Group as at 30 September 2008 (after taking into account the Hennabun Disposal) was approximately HK\$265.5 million.

LETTER FROM THE BOARD

Consideration

The consideration for the Hennabun Shares Acquisition is HK\$105.8 million and shall be satisfied by FFSL procuring that the Company issues the FCL Convertible Note in the principal amount of HK\$105.8 million to Equity Spin.

As soon as practicable after completion of the Hennabun Shares Acquisition, FFSL will appoint accountants to prepare the Hennabun Completion Accounts. Mr. Chuang and Equity Spin represented and warranted to FFSL that the net assets value of the Hennabun Group as at the Completion Date as shown in the Hennabun Completion Accounts shall not be less than HK\$200 million. Equity Spin shall pay by bank draft to FFSL 79.46% of the shortfall if any (being the percentage interest the Company is acquiring in Hennabun) between (i) the net assets value of the Hennabun Group as stated in the Hennabun Completion Accounts (“Completion NAV”) and (ii) HK\$200 million on a dollar for dollar basis within 10 business days from the finalization of the Hennabun Completion Accounts. Equity Spin and Mr. Chuang have confirmed that if the Completion NAV turns out to be a net liability that figure shall be treated as a positive figure (“New Completion NL”), and they shall pay to FFSL 79.46% of the sum of the New Completion NL and HK\$200 million.

The consideration for the Hennabun Shares Acquisition was determined after arm’s length negotiations between the Company and Equity Spin based on normal commercial terms with reference to unaudited consolidated accounts of Hennabun Group as at 30 September 2008 (after taking into account of the Hennabun Disposals) and the aforesaid warranties by Mr. Chuang and Equity Spin. The Directors are of the view that the terms of the Hennabun Shares Acquisition are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

Principal Terms of the FCL Convertible Note

The principal terms of the FCL Convertible Note are summarized as follows:

Issuer	:	the Company
Principal Amount	:	HK\$105,800,000
Conversion Price	:	HK\$0.11 per Conversion Share (subject to adjustments)

LETTER FROM THE BOARD

Adjustments	:	the conversion price will be subject to adjustments in certain events, including, amongst other things, share consolidation, share subdivision, capitalization, capital distribution and rights issue
Denomination	:	HK\$1,000,000
Transferability	:	the FCL Convertible Note cannot be transferred without the prior written consent of the Company and cannot be assigned
Coupon Rate	:	the FCL Convertible Note does not bear any interest
Maturity Date	:	the third anniversary following the date of issue of the FCL Convertible Note
Conversion Shares	:	on the basis of the conversion price of HK\$0.11 per Conversion Share, a total of 961,818,181 Conversion Shares will be issued upon full conversion of the FCL Convertible Note. The Conversion Shares shall upon issue rank pari passu in all respects with the Shares
Voting	:	the Noteholder will not be entitled to receive notices of, attend or vote at any meetings of the Company by reason only of being a Noteholder
Listing	:	no application will be made for the listing of the FCL Convertible Note on the Stock Exchange or any other stock exchange
Conversion Rights	:	conversion rights are exercisable at any time from the date of issue of the FCL Convertible Note up to (and excluding) the commencement of the seven calendar day period ending on (and including) the maturity date

LETTER FROM THE BOARD

- Redemption and Repurchase : the Company may at any time elect to redeem the whole or in part at 100% of the principal amount of the FCL Convertible Note. The Company may also elect to repurchase in whole or in part at 100% of the principal amount of the FCL Convertible Note. The Noteholder does not have any right to require the Company to redeem or repurchase the FCL Convertible Note
- Conversion Restriction : conversion rights under the FCL Convertible Note will be restricted such that the number of Conversion Shares to be issued (including the Shares held by the Noteholder and parties acting in concert with it) on the conversion date shall not exceed 29.9% (or such other amount that is 0.1% less than the level for triggering a mandatory general offer as specified in the Takeovers Code) of the then issued share capital of the Company as enlarged by such conversion. The exercise of conversion rights under the FCL Convertible Note in accordance with this restriction will not result in a change in control of the Company.

Conversion Shares

The Capital Reorganization has become effective. As at the Latest Practicable Date there are 977,317,496 Shares in issue. Upon full conversion of the FCL Convertible Note at the conversion price of HK\$0.11 per Conversion Share, a total of 961,818,181 Conversion Shares will be issued. The Conversion Shares represent:

- (1) approximately 98.41% of the issued share capital of the Company as at the Latest Practicable Date; and
- (2) approximately 49.6% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares upon full conversion of the FCL Convertible Note.

An application will be made by the Company to the Listing Committee for the listing of and permission to deal in the Conversion Shares. The Conversion Shares will be allotted and issued under a specific mandate to be granted to the Directors by the Shareholders at the EGM. The Conversion Shares, when issued, will rank *pari passu* in all respects with the Shares on the date of the issue of the Conversion Shares.

LETTER FROM THE BOARD

Conversion Price

The conversion price of HK\$0.11 per Conversion Share represents:

- (i) a premium of 10% to the par value of HK\$0.1 per Share, adjusted to reflect the effect of the Capital Reorganization;
- (ii) a discount of approximately 88.6% to the audited net assets value attributable to equity Shareholders of HK\$0.97 per Share as at 31 March 2008, adjusted to reflect the effect of the Capital Reorganization;
- (iii) a premium of 10% to the closing price of HK\$0.1 per Share as quoted on the Stock Exchange on the Last Trading Day, adjusted to reflect the effect of the Capital Reorganization;
- (iv) a premium of 10% to the average closing price of HK\$0.1 per Share based on the closing price as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day, adjusted to reflect the effect of the Capital Reorganization; and
- (v) a premium of 10% to the average closing price of HK\$0.1 per Share based on the closing price as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day, adjusted to reflect the effects of the Capital Reorganization.

Expenses to be incurred in relation to the issue of the FCL Convertible Note will be insignificant. The net price per Conversion Share will be approximately HK\$0.11.

Conditions Precedent of the S&P Agreement

Pursuant to the terms and conditions of the S&P Agreement, completion of the Hennabun Shares Acquisition will be subject to satisfaction or where relevant waiver of the following conditions:

- (i) a due diligence investigation on the Hennabun Group having been completed to the satisfaction of FFSL at its sole discretion;
- (ii) the Listing Committee granting listing of and permission to deal in the Conversion Shares;

LETTER FROM THE BOARD

- (iii) the passing by the Shareholders of resolutions to approve the S&P Agreement, the transactions contemplated thereunder including the issue of the FCL Convertible Note and the Conversion Shares upon the exercise of conversion rights thereunder in accordance with the Listing Rules;
- (iv) the approval by the Securities and Futures Commission under S.132 of the SFO for the change in “substantial shareholder” (as defined under the SFO) of certain subsidiaries of Hennabun including Chung Nam Securities Limited, CU Corporate Finance Limited, Chung Nam Commodities Limited and Radland International Limited as a result of the S&P Agreement and transactions contemplated thereunder;
- (v) all other consents or approval of any relevant governmental authorities, regulatory bodies or other relevant third parties in Hong Kong or elsewhere which are required for the entry into and the implementation of the S&P Agreement having been obtained, all filings with any relevant governmental authorities or other relevant third parties in Hong Kong or elsewhere which are required for the entering into and the implementation of the S&P Agreement having been made;
- (vi) the passing by shareholders of Hennabun of resolutions to approve the S&P Agreement and the transactions contemplated thereunder, if required; and
- (vii) the Capital Reorganization becoming effective.

If the conditions precedent of the S&P Agreement have not been fulfilled (or waived by FFSL save that FFSL cannot waive the conditions precedent of the S&P Agreement referred to (ii), (iii), (iv), (v) and (vi)) on or before 5:00 p.m. on 25 November 2009 (or such other date as FFSL and Equity Spin may agree in writing) and FFSL gives notice to terminate the S&P Agreement, the S&P Agreement shall terminate.

None of the conditions precedent set out above have been fulfilled save the Capital Reorganization which became effective after 4:11 p.m. on 25 November 2008 satisfying condition (vii) above.

LETTER FROM THE BOARD

Completion

Completion of the Hennabun Shares Acquisition shall take place at 11:00 a.m. on the third business day after the date on which all of the conditions precedent shall have been satisfied or waived by FFSL (or such other time and date as may be agreed between FFSL, Mr. Chuang and Equity Spin). Upon completion of the Hennabun Shares Acquisition, FFSL will hold 3,937,133,333 ordinary shares of Hennabun, representing approximately 79.46% of the existing issued share capital of Hennabun, and Hennabun will become an indirect non wholly-owned subsidiary of the Company.

Effects on the Shareholding Structure of the Company

The table below sets out (i) the existing shareholding structure of the Company as at the Latest Practicable Date, (ii) the shareholding structure of the Company on enlarged basis upon full conversion of the FCL Convertible Note pursuant to the terms and conditions of the FCL Convertible Note, (iii) the shareholding structure of the Company on enlarged basis upon partial conversion of the FCL Convertible Note pursuant to the terms and conditions of the FCL Convertible Note and (iv) the shareholding structure of the Company on enlarged basis upon full conversion of the FCL Convertible Note and assuming Equity Spin fully exercises the conversion rights of the FCL Convertible Note and holds all of the Conversion Shares.

	Existing Shareholding as at the Latest Practicable Date		Upon full conversion of the FCL Convertible Note pursuant to the terms and conditions of the FCL Convertible Note (Note 1)		Upon partial conversion of the FCL Convertible Note pursuant to the terms and conditions of the FCL Convertible Note (Note 2)		Upon full conversion of the FCL Convertible Note and assuming that Equity Spin fully exercises the conversion right of the FCL Convertible Note and holds all the Conversion Shares (Note 3)	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Equity Spin	–	–	579,801,567	29.9	416,858,675	29.9	961,818,181	49.6
Directors' interests								
Dr. Yang Fan Shing, Andrew	540,000	0.1	540,000	0.0	540,000	0.0	540,000	0.0
Ms. Kwok Wai Ming	4,668,000	0.4	4,668,000	0.3	4,668,000	0.4	4,668,000	0.3
	----- 5,208,000	0.5	----- 5,208,000	0.3	----- 5,208,000	0.4	----- 5,208,000	0.3
Public Shareholders	972,109,496	99.5	1,354,126,110	69.8	972,109,496	69.7	972,109,496	50.1
Total	<u>977,317,496</u>	100.0	<u>1,939,135,677</u>	100.0	<u>1,394,176,171</u>	100.0	<u>1,939,135,677</u>	100.0

LETTER FROM THE BOARD

Notes:

- 1 It is assumed that (a) Equity Spin exercises the conversion rights under the FCL Convertible Note at the initial subscription price of HK\$0.11 per Conversion Share to the maximum number of the Conversion Shares as may be specified in the Takeovers Code as being the level without triggering a mandatory general offer; (b) the remaining FCL Convertible Note is transferred to and fully converted into Conversion Shares by public Shareholders; (c) there will be no change in the shareholding held by Dr. Yang Fan Shing, Andrew and Ms. Kwok Wai Ming; and (d) there will be no change in the issued share capital of the Company from the Latest Practicable Date to the date of exercise of conversion rights under the FCL Convertible Note save for the full conversion of the FCL Convertible Note pursuant to the terms and conditions of the FCL Convertible Note.

- 2 It is assumed that (a) Equity Spin exercises the conversion rights under the FCL Convertible Note at the initial subscription price of HK\$0.11 per Conversion Share to the maximum number of the Conversion Shares as may be specified in the Takeovers Code as being the level without triggering a mandatory general offer; (b) the remaining FCL Convertible Note is held by Equity Spin and is not transferred to public Shareholders; (c) there will be no change in the shareholding held by Dr. Yang Fan Shing, Andrew and Ms. Kwok Wai Ming; and (d) there will be no change in the issued share capital of the Company from the Latest Practicable Date to the date of exercise of conversion rights under the FCL Convertible Note save for the partial conversion of the FCL Convertible Note pursuant to the terms and conditions of the FCL Convertible Note.

- 3 It is assumed that (a) Equity Spin fully exercises the conversion rights under the FCL Convertible Note at the initial conversion price of HK\$0.11 per Conversion Share; (b) there will be no change in the shareholding held by Dr. Yang Fan Shing, Andrew and Ms. Kwok Wai Ming; and (c) there will be no change in the issued share capital of the Company from the Latest Practicable Date to the date of exercise of conversion rights under the FCL Convertible Note save for the full conversion of the FCL Convertible Note. Pursuant to the terms and conditions of the FCL Convertible Note, the noteholder's conversion rights under the FCL Convertible Note is restricted such that the number of Conversion Shares to be issued (including the Shares held by the noteholder and parties acting in concert with it) on the conversion date shall not exceed 29.9% (or such other amount that is 0.1% less than the level for triggering a mandatory general offer as specified in the Takeovers Code) of the then share capital of the Company as enlarged by such conversion. Accordingly, this shareholding structure is for illustration purpose only.

LETTER FROM THE BOARD

THE CN SUBSCRIPTION AGREEMENT

- Date : 25 November 2008 (as amended by a supplemental agreement dated 23 January 2009)
- Parties : (a) FFSL (as subscriber), a wholly-owned subsidiary of the Company
- (b) Hennabun (as issuer)
- (c) Mr. Chuang (as guarantor of Equity Spin)

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of Hennabun and Mr. Chuang is a third party independent of the Company and connected persons of the Company.

Pursuant to the CN Subscription Agreement, FFSL agreed to subscribe and Hennabun agreed to issue the Hennabun Convertible Note at an amount of HK\$250 million. The consideration for the Hennabun Convertible Note Subscription shall be paid in cash by FFSL to Hennabun upon completion of the Hennabun Convertible Note Subscription. The consideration will be financed by internal resources of the Group or any other source of funding which the Group may think appropriate at the time of completion of the Hennabun Convertible Note Subscription.

On signing of the CN Subscription Agreement, Hennabun shall appoint two persons nominated by FFSL as directors of Hennabun and such other members of the Hennabun Group as may be specified by FFSL.

Principal Terms of the Hennabun Convertible Note

The principal terms of the Hennabun Convertible Note are summarized as follows:–

- Issuer : Hennabun
- Principal Amount : HK\$250,000,000
- Conversion Price : HK\$0.08 per Hennabun Conversion Share (subject to adjustments)

LETTER FROM THE BOARD

Adjustments	:	the conversion price will be subject to adjustments in certain events including share consolidation, share subdivision, capital distribution and share issues
Denomination	:	HK\$1,000,000
Transferability	:	the Hennabun Convertible Note cannot be transferred without the prior written consent of Hennabun and cannot be assigned
Coupon Rate	:	the Hennabun Convertible Note bears an interest rate of 5% per annum for the first three years, and 7% per annum from the fourth year to maturity
Maturity Date	:	the sixth anniversary following the date of issue of the Hennabun Convertible Note
Conversion Shares	:	on the basis of the conversion price of HK\$0.08 per Hennabun Conversion Share, a total of 3,125,000,000 Hennabun Conversion Shares will be issued upon full conversion of the Hennabun Convertible Note. The Hennabun Conversion Shares shall upon issue rank <i>pari passu</i> in all respects with the then issued ordinary shares of Hennabun
Voting	:	the holder of Hennabun Convertible Note will not be entitled to receive notices of, attend or vote at any meetings of Hennabun by reason only of being the holder of the Hennabun Convertible Note
Listing	:	no application will be made for the listing of the Hennabun Convertible Note on the Stock Exchange or any other stock exchange
Conversion Rights	:	conversion rights are exercisable at any time from the date of issue of the Hennabun Convertible Note up to and excluding the commencement of the seven calendar day period ending on (and including) the maturity date

LETTER FROM THE BOARD

- Conversion Condition : the exercise of conversion rights is conditional upon all consents or approval of any relevant governmental authorities, regulatory bodies or other relevant third parties in Hong Kong or elsewhere if required or appropriate for the exercise of the conversion rights and the issue of the Hennabun Conversion Shares having been obtained, including all filings with any relevant governmental authorities or other relevant third parties in Hong Kong or elsewhere which are required or appropriate for the exercise of the conversion rights and the issue of the Hennabun Conversion Shares having been made (including but not limited to the approval of the Securities and Futures Commission under Section 132 of the SFO for any change in “substantial shareholder” of the relevant member of the Hennabun Group, if required)
- Redemption and Repurchase : Hennabun may at any time elect to redeem the whole or part of 100% of the principal amount of the Hennabun Convertible Note together with interest accrued but unpaid. Hennabun may also elect to repurchase the whole or part of 100% of the principal amount of the Hennabun Convertible Note with interest accrued but unpaid. The holder of the Hennabun Convertible Note does not have any right to require Hennabun to redeem or repurchase the Hennabun Convertible Note

Hennabun Conversion Shares

As at the Latest Practicable Date, Hennabun has 4,954,633,333 ordinary shares in issue. Upon full conversion of the Hennabun Convertible Note at the conversion price of HK\$0.08 per Hennabun Conversion Share, a total of 3,125,000,000 Hennabun Conversion Shares will be issued. The Hennabun Conversion Shares represent:

- (1) approximately 63.07% of the issued share capital of Hennabun as at the Latest Practicable Date; and
- (2) approximately 38.68% of the issued share capital of Hennabun as enlarged by the issue of the Hennabun Conversion Shares upon full conversion of the Hennabun Convertible Note, which, together with the Sale Shares, FFSL would own a total of approximately 87.41% of Hennabun upon full conversion.

LETTER FROM THE BOARD

Conversion Price

The conversion price of HK\$0.08 per Hennabun Conversion Share represents:

- (i) a premium of approximately 2.56% to the par value of HK\$0.078 per ordinary share of Hennabun; and
- (ii) a premium of approximately 48.15% to the consolidated net assets value as at 30 September 2008 (after taking into account of Hennabun Disposals) attributable to equity shareholders of HK\$0.054 per ordinary share of Hennabun.

The conversion price of HK\$0.08 per Hennabun Conversion Share was arrived at after arm's length negotiations between the Company and Hennabun after considering the consolidated net assets value as at 30 September 2008 (after taking into account of Hennabun Disposals) attributable to equity shareholders per ordinary share of Hennabun, the coupon rates of the Hennabun Convertible Note, and the state of affairs and prospect of the Hennabun Group. The Directors consider the terms of the Hennabun Convertible Note to be fair and reasonable, and are in the interests of the Shareholders and the Company as a whole.

Conditions Precedent of the CN Subscription Agreement

Pursuant to the terms and conditions of the CN Subscription Agreement, completion of the Hennabun Convertible Note Subscription will be subject to satisfaction or where relevant waiver of the following conditions:

- (i) the passing by the Shareholders of a resolution to approve the CN Subscription Agreement and the transactions contemplated thereunder including the Hennabun Convertible Note Subscription in accordance with the Listing Rules;
- (ii) all other consents or approvals of any relevant governmental authorities, regulatory bodies or other relevant third parties in Hong Kong or elsewhere which are required for the entry into and the implementation of the CN Subscription Agreement having been obtained, including all filings with any relevant governmental authorities or other relevant third parties in Hong Kong or elsewhere if required for the entering into and the implementation of the CN Subscription Agreement having been made;

LETTER FROM THE BOARD

- (iii) the passing by shareholders of Hennabun of a resolution to approve the issue of the Hennabun Convertible Note and the issue of the Hennabun Conversion Shares thereunder;
- (iv) the Capital Reorganization becoming effective; and
- (v) the due diligence investigation on the Hennabun Group to be carried out having been completed to the satisfaction of FFSL in its sole discretion.

If the conditions precedent of the CN Subscription Agreement have not been fulfilled (or waived by FFSL save that FFSL cannot waive the conditions precedent of CN Subscription Agreement referred to in (i), (ii) and (iii) above) on or before 5:00 p.m. on 15 March 2009 (or such other date as FFSL and Hennabun may agree in writing), the CN Subscription Agreement shall terminate.

The Capital Reorganization became effective after 4:11 p.m. on 25 November 2008 satisfying condition (iv) above.

Completion

Completion of the Hennabun Convertible Note Subscription will take place at 11:00 a.m. on the third business day after the date on which all of the conditions precedent of the CN Subscription Agreement shall have been satisfied or waived by FFSL (or such other time and date as the parties may agree).

LETTER FROM THE BOARD

EFFECTS ON SHAREHOLDING STRUCTURE OF HENNABUN

Completion of the Hennabun Shares Acquisition and of the Hennabun Convertible Note Subscription are not inter-conditional. The tables below set out the effects of the Hennabun Shares Acquisition and the Hennabun Convertible Note Subscription on the shareholding structure of Hennabun under three different scenarios:

(A) Completion of both the Hennabun Shares Acquisition and the Hennabun Convertible Note Subscription taking place

	Existing shareholding		Upon completion of the Hennabun Shares Acquisition		Upon completion of the Hennabun Convertible Note Subscription and the full conversion of the Hennabun Convertible Note	
	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>
Equity Spin	3,937,133,333	79.46	–	–	–	–
FFSL	–	–	3,937,133,333	79.46	7,062,133,333	87.41
Heritage International Holdings Limited	150,000,000	3.03	150,000,000	3.03	150,000,000	1.86
Unity Investments Holdings Limited	124,000,000	2.50	124,000,000	2.50	124,000,000	1.53
Radford Capital Investment Limited	25,500,000	0.52	25,500,000	0.52	25,500,000	0.31
Other shareholders of Hennabun	<u>718,000,000</u>	14.49	<u>718,000,000</u>	14.49	<u>718,000,000</u>	8.89
Total	<u><u>4,954,633,333</u></u>	100.00	<u><u>4,954,633,333</u></u>	100.00	<u><u>8,079,633,333</u></u>	100.00

LETTER FROM THE BOARD

(B) Completion of the Hennabun Shares Acquisition taking place but completion of the Hennabun Convertible Note Subscription not taking place

	Existing shareholding		Upon completion of the Hennabun Shares Acquisition	
	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>
Equity Spin	3,937,133,333	79.46	–	–
FFSL	–	–	3,937,133,333	79.46
Heritage International Holdings Limited	150,000,000	3.03	150,000,000	3.03
Unity Investments Holdings Limited	124,000,000	2.50	124,000,000	2.50
Radford Capital Investment Limited	25,500,000	0.52	25,500,000	0.52
Other shareholders of Hennabun	718,000,000	14.49	718,000,000	14.49
Total	4,954,633,333	100.00	4,954,633,333	100.00

LETTER FROM THE BOARD

(C) Completion of the Hennabun Convertible Note Subscription taking place but completion of the Hennabun Shares Acquisition not taking place

	Existing shareholding		Upon completion of the Hennabun Convertible Note Subscription and the full conversion of the Hennabun Convertible Note	
	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>
Equity Spin	3,937,133,333	79.46	3,937,133,333	48.73
FFSL	–	–	3,125,000,000	38.68
Heritage International Holdings Limited	150,000,000	3.03	150,000,000	1.86
Unity Investments Holdings Limited	124,000,000	2.50	124,000,000	1.53
Radford Capital Investment Limited	25,500,000	0.52	25,500,000	0.31
Other shareholders of Hennabun	<u>718,000,000</u>	14.49	<u>718,000,000</u>	8.89
Total	<u><u>4,954,633,333</u></u>	100.00	<u><u>8,079,633,333</u></u>	100.00

Notes:

1. Save for FFSL, all the shareholders of Hennabun are third parties independent of the Company and connected persons of the Company.
2. The shares of Heritage International Holdings Limited, Unity Investments Holdings Limited and Radford Capital Investment Limited are listed on the main board of the Stock Exchange.
3. Other shareholders of Hennabun comprise 8 entities which are individual investors, institutional investors and companies listed on the Stock Exchange. None of the shareholders held more than 8% of the issued share capital of Hennabun as at the Latest Practicable Date.
4. The above calculations assume there is no change in issued share capital of Hennabun from the Latest Practicable Date to the date of completion of the Hennabun Shares Acquisition and the date of exercise of conversion rights under the Hennabun Convertible Note.

LETTER FROM THE BOARD

IMPLICATION OF THE LISTING RULES

As some of the applicable percentage ratios prescribed under Rule 14.07 of the Listing Rules exceed 100%, the Hennabun Shares Acquisition and/or the Hennabun Convertible Note Subscription constitute very substantial acquisitions of the Company under Chapter 14 of the Listing Rules. The Hennabun Shares Acquisition and the CN Subscription Agreement together with the transactions contemplated thereunder will, therefore, be subject to, amongst other things, the approval of the Shareholders at the EGM.

The Company through its wholly-owned subsidiary which is a money lender entered into financing agreements with Sun Chung Nam Finance Limited, which is an indirect wholly-owned subsidiary of Hennabun including but not limited to the recent loan facility in the principal amount of HK\$45 million as referred to in the Company's announcement dated 12 September 2008 and circular dated 26 September 2008.

WAIVER FROM STRICT COMPLIANCE WITH RULE 4.06 OF THE LISTING RULES

Pursuant to Rule 4.06(1) of the Listing Rules, the financial information of the Hennabun Group in respect of each of the three financial years immediately preceding the issue of this circular, being each of the three financial years ended 31 December 2008, should be included in this circular.

The Company has applied to the Stock Exchange for a waiver from strict compliance with Rule 4.06(1) of the Listing Rules, on the ground that the strict compliance with Rule 4.06(1) of the Listing Rules would significantly delay in the despatch of this circular, as the reporting accountants would have to carry out a considerable amount of audit work and spend a lot of time to prepare and finalize the accountant's report covering the financial year ended 31 December 2008. Currently being worked on by the Company is a proposed rights issue, details of which are set out in the Company's announcement dated 12 January 2009. A substantial part of the net proceeds from the proposed rights issue is intended to be applied for the Hennabun Convertible Note Subscription. The rights issue is subject to Shareholders' approval. If this circular containing essential financial information regarding the Hennabun Group is not published prior to the Shareholders' meeting to approve the rights issue, the Directors are concerned that Shareholders will be deprived of significant financial information on the Hennabun Group which they may wish to consider to make an informed decision on the rights issue.

LETTER FROM THE BOARD

The Stock Exchange has granted the Company a waiver from strict compliance with Rule 4.06 of the Listing Rules on the conditions that this circular is to be despatched on or before 30 January 2009 and the EGM will be held no later than 16 February 2009. The Directors confirm that they have performed sufficient due diligence on the Hennabun Group and concluded that, having noted the financial effects of (i) the Hennabun Disposals and (ii) the waiver of repayment of the Chuang Loan of approximately HK\$62.6 million (which was the outstanding balance of the Chuang Loan as at 31 December 2008), there has been no material adverse change in the financial position or prospects of the Hennabun Group since 30 September 2008 and up to the date of this circular and there has been no event since 30 September 2008 and up to the date of this circular which would materially adversely affect the information shown in the financial information of the Hennabun Group in the “Accountant’s Report of the Hennabun Group” in Appendix II of this circular.

REASONS FOR THE ACQUISITION OF HENNABUN

The Company is an investment holding company and its subsidiaries are principally engaged in the insurance business, provision of finance, trading of securities, property holding and investment.

In June 2006, the Company acquired a convertible note issued by Hennabun, details of which were set out in the announcement of the Company dated 2 May 2006 and the circular to the Shareholders dated 24 May 2006. Subsequently, the Company exercised conversion rights thereunder which resulted in the Company holding approximately 48.96% of the then issued share capital of Hennabun. On 9 July 2007, the Company disposed of its entire interest in Equity Spin, the then wholly-owned subsidiary of the Company owning 48.96% of Hennabun, and assigned all of its interest in a shareholder’s loan in the amount of approximately HK\$161.3 million for an aggregate cash consideration of HK\$50 million, details of which were stated in the announcement dated 29 June 2007 and the circular dated 20 July 2007. In the circular dated 20 July 2007, it was stated that “the Board considers the disposal of non-performing investment arm will enable the Company not only to strengthen the financial base but also to focus on the insurance business and the financial services business”. The Company did intend to keep its money lending business, and accordingly has kept its money lenders license, reflecting that it wants to retain its financial service business.

LETTER FROM THE BOARD

When the Company decided to dispose of its interest in Hennabun Group in June 2007, the Company's plan at that stage was to focus on pursuing its insurance business. An application was made to the Commissioner of Insurance for Classes A and C of long term business license and in order to achieve that, the Company hired a consultant to assist in the application process. The Directors believe that due to the drastic change of the global financial market and the associated tightening of regulatory requirements, approval for its application for Class A and C of long term business licenses would not be forthcoming and hence longer time will be required. The Company therefore considers that to re-acquire the interest in Hennabun Group will be beneficial to the Company and hence the Shareholders. The Company is aware that the latest financial statements of the Hennabun Group records substantial losses. But the Hennabun Group is not alone in this financial crisis. The Company is familiar with the business operations of Hennabun Group and expects that once the financial market stabilizes, with the further injection of capital by way of the Hennabun Convertible Note, there will be a turnaround in Hennabun Group's business. The Company is proposing to acquire a controlling interest in Hennabun Group through an issue of the FCL Convertible Note and the acquisition price is substantially discounted from its net assets value. The subscription of the Hennabun Convertible Note will provide the Hennabun Group with the necessary capital for business development. Eventually, the Company has the right to convert the Hennabun Convertible Note into further equities in the Hennabun, or to earn interest and collect the principal on the notes as they fall due.

For the above stated reasons, the Directors consider that the terms of the S&P Agreement and the CN Subscription Agreement are entered into upon normal commercial terms and that the terms of the S&P Agreement and the CN Subscription Agreement together with transactions contemplated thereunder are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

INFORMATION ABOUT THE HENNABUN GROUP

Financial Information

Hennabun is a company incorporated in the BVI with limited liability. Hennabun Group is engaged in provision of financial services including security brokerage, commodity trading, money lending, margin financing and corporate finance advisory as well as proprietary trading and direct investment. The table below sets out certain financial information of the Hennabun Group for the two years ended 31 December 2007 and nine months ended 30 September 2008:–

	For the year ended		For the nine
	31 December		months ended
	2006	2007	30 September
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Net loss before tax	99,280.8	92,415.8	104,678.1
Net loss after tax	99,624.4	92,415.8	101,508.1
Net assets value	<u>13,037.1</u>	<u>68,621.3</u>	<u>310,113.2</u>

Subsequent to 30 September 2008, Hennabun Group effected the Hennabun Disposals as follows: (i) Hennabun Group disposed of a wholly-owned subsidiary, Hero City Trading Limited (“Hero City”), to Capital Union Inc., a company controlled by Mr. Chuang, at the consideration of approximately HK\$31.2 million which is approximately to the net assets value of Hero City on the disposal date, the consideration was settled by way of offsetting part of the then outstanding balance of the Chuang Loan. As at the disposal date, Hero City held a deposit paid of US\$4 million (equivalent to approximately HK\$31.2 million) for 40% interest in a PRC land use right, Hennabun Group recognized a gain of approximately HK\$5,000 on this disposal; (ii) the Hennabun Group transferred the entire interest of a wholly-owned subsidiary, Sky Vision Enterprises Limited (“Sky Vision”), to the three shareholders of Hennabun (at the consideration of approximately HK\$44.6 million, which is equal to the net assets value of Sky Vision on the disposal date) in exchange for 409,633,334 ordinary shares of Hennabun held by them and such consideration shares were cancelled by Hennabun after the transfer, Hennabun Group did not recognized any gain or loss on this disposal. As at the disposal date, Sky Vision held a deposit paid of US\$5 million (equivalent to approximately HK\$39 million) for acquisition of an aircraft and a deposit paid of EUR0.5 million (equivalent to approximately HK\$5.5 million) for conversion work of the aircraft. Disposal of

LETTER FROM THE BOARD

Hero City and Sky Vision was completed on 6 November 2008 and 10 October 2008 respectively. Taking into account of the financial effects of the Hennabun Disposals, the consolidated total assets and the consolidated total liabilities of the Hennabun Group as at 30 September 2008 would have been reduced by approximately HK\$75.8 million and approximately HK\$31.2 million respectively, thus resulting in a decrease of approximately HK\$44.6 million in the consolidated net assets value. Accordingly, the unaudited consolidated net assets value of the Hennabun Group as at 30 September 2008 was approximately HK\$265.5 million (which has taken into account the Hennabun Disposals). Financial effect arising from the Hennabun Disposals on the Hennabun Group's income statement for the nine months ended 30 September 2008 is insignificant. The detailed financial effects of the Hennabun Disposals on the Hennabun Group are presented in the notes to the unaudited pro forma financial statements of the Enlarged Group contained in Appendix III "Unaudited Pro Forma Financial Information of the Enlarged Group" of this circular.

As at 30 September 2008, the balance of the Chuang Loan was approximately HK\$61.2 million. As mentioned above, the then outstanding balance of the Chuang Loan was partially offset by the consideration of approximately HK\$31.2 million to be received by the Company in respect of disposal of Hero City. Due to further injection of working capital after the disposal of Hero City, the outstanding balance of the Chuang Loan as at 31 December 2008 became approximately HK\$62.6 million, the repayment of which was waived by the lender on the same date. As at the Latest Practicable Date, the Hennabun Group has no more loan due to Mr. Chuang or Capital Union Inc..

After completion of the Hennabun Shares Acquisition, Hennabun and its subsidiaries will become subsidiaries of the Company. Mr. Chuang being a director of Hennabun will become a connected person of the Company. Accordingly, the Chuang Loan, if continue following completion of the Hennabun Shares Acquisition, will constitute a connected transaction of the Company under the Chapter 14A of the Listing Rules. Detailed information of the Chuang Loan is set out in note 18 "Amounts due to a Related Company" to "Accountant's Report of the Hennabun Group" in Appendix II of this circular.

LETTER FROM THE BOARD

Litigation and Disciplinary Action

On 3 March 2006, two of the then staff of a subsidiary of Hennabun (the “First Subsidiary”) surrendered themselves to the police admitting that they had misappropriated clients’ securities (both of them were found guilty in 2008). The market value of the securities misappropriated by those staff was appropriately HK\$6.8 million as at 3 March 2006. Pursuant to the insurance policies held by the First Subsidiary, any loss exceeding HK\$3 million would be covered by the insurance policies subject to a limit of HK\$15 million. Provision for the estimated loss of HK\$3 million was made and reflected in the financial statements of the Hennabun Group for the year ended 31 December 2006. In 2007, several affected clients have taken legal actions against the First Subsidiary for compensation of their securities loss, and the First Subsidiary has been negotiating with the insurance company for settlement of claim. As the legal proceedings taken by the affected clients and the negotiation with the insurance company have been taking place, a further provision of HK\$2.5 million was made and is reflected in the financial statement of the Hennabun Group for the year ended 31 December 2007. As at the Latest Practicable Date, the estimated market value of the securities misappropriated is approximately HK\$4.6 million. After taking into account the estimated market value of the securities being misappropriated, the Directors believed that the provisions made together with the settlement expected from the insurance policies are sufficient to cover the potential compensation to be claimed by the affected clients at the time being, as such the litigation is considered to be not material to the Enlarged Group.

With regard to the matter mentioned above, the Securities and Futures Commission issued a reprimand to the First Subsidiary in 2007 and imposed a fine of HK\$1.5 million under section 194 of the SFO. Following the disciplinary action imposed by the Securities and Futures Commission, the First Subsidiary was allowed to continue to keep its licensed business without any restriction. The Directors are of the view that the disciplinary action will not carry any material adverse impact on the business of the Enlarged Group.

In addition, on 23 July 2008, a bankruptcy order was made against a margin loan debtor (the “Bankrupt”) of a subsidiary of the Hennabun Group (the “Second Subsidiary”). Since then, an official receiver has been appointed which has, subsequent to 30 September 2008, demanded the Second Subsidiary for the payment of the net amount due to the Bankrupt (the “Claim”). The maximum potential claim of approximately HK\$13 million was recorded as other creditors of the Hennabun Group as at 30 September 2008 and the Second Subsidiary has appointed a lawyer to handle the Claim. A director of the Hennabun Group has given an indemnity in the form of trust money in the approximate amount of HK\$13 million to the Second Subsidiary to finance any payment whenever necessary. As a result, the Claim will not cost the Hennabun Group and the Company to have any cash outflow that will have any material adverse financial impact.

LETTER FROM THE BOARD

FINANCIAL EFFECT OF THE HENNABUN SHARES ACQUISITION AND/OR THE HENNABUN CONVERTIBLE NOTE SUBSCRIPTION

Completion of the Hennabun Shares Acquisition and of the Hennabun Convertible Note Subscription are not inter-conditional. The financial effect of the Hennabun Shares Acquisition and/or the Hennabun Convertible Note Subscription on the Group can be analyzed in three different scenarios, which are (1) completion of the Hennabun Shares Acquisition taking place, but completion of the Hennabun Convertible Note Subscription not taking place, (2) completion of the Hennabun Convertible Note Subscription taking place, but completion of the Hennabun Shares Acquisition not taking place, and (3) completion of both the Hennabun Shares Acquisition and the Hennabun Convertible Note Subscription taking place. Analysis of the financial effect in these three scenarios is set out as follows:

Scenario (1) Completion of the Hennabun Shares Acquisition taking place, but completion of the Hennabun Convertible Note Subscription not taking place

The Group recorded an consolidated loss of approximately HK\$403.7 million for the year ended 31 March 2008. According to the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III(A) to this circular, the consolidated loss of the Enlarged Group would be approximately HK\$369.9 million assuming completion of the Hennabun Shares Acquisition takes place on 1 April 2007. The decrease in the loss following the Hennabun Shares Acquisition is mainly attributable to the net effect of recognition of the Hennabun Group's consolidated loss of approximately HK\$92.4 million for the year ended 31 December 2007 and the discount of approximately HK\$140.6 million on acquisition of the Hennabun Group, which is a one-off income derived from the consideration of HK\$105.8 million minus the 79.46% of the net assets value of the Hennabun Group as at 30 September 2008. Hennabun Group was loss making for the year ended 31 December 2007 and the nine months ended 30 September 2008. Having a controlling interest in Hennabun and with further capital injection by way of the Hennabun Convertible Note Subscription, the Company expects that there will be a turnaround in the Hennabun Group's business, which in turn will have a positive impact on the Group.

As at 30 September 2008, the total assets and total liabilities of the Group were approximately HK\$1,162 million and HK\$106.4 million respectively. Pursuant to the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III(A) to this circular, the total assets and total liabilities of the Enlarged Group will be increased to approximately HK\$1,677 million and HK\$417.1 million, respectively, following the Hennabun Shares Acquisition, and thus resulting in an increase in the net assets value of approximately HK\$204.3 million. The increase in the net assets value is mainly attributable to the recognition of the discount on acquisition of the Hennabun Group as mentioned above.

LETTER FROM THE BOARD

Scenario (2) Completion of the Hennabun Convertible Note Subscription taking place, but completion of the Hennabun Shares Acquisition not taking place

Pursuant to the unaudited pro forma financial information of the Group as set out in Appendix III(B) to this circular, the consolidated loss of the Group will be increased by approximately HK\$35.6 million from approximately HK\$403.7 million to approximately HK\$439.3 million following completion of the Hennabun Convertible Note Subscription (assuming completion of the Hennabun Convertible Note Subscription takes place on 1 April 2007). The increase in the consolidated loss is mainly attributable to the recognition of the fair value loss of approximately HK\$48.1 million on the Hennabun Convertible Note, which is partially offset by the recognition of the interest income of approximately HK\$12.5 million generated from the Hennabun Convertible Note. The fair value change on the Hennabun Convertible Note will not carry any cashflow impact to the Group, whereas interest income generated from the Hennabun Convertible Note, which bears a coupon rate of 5% per annum for the first three years and 7% per annum from the fourth year to maturity, will provide a steady cash inflow to the Group following completion of the Hennabun Convertible Note Subscription. Total assets and total liabilities of the Group will not change following completion of the Hennabun Convertible Note Subscription. However, the current assets of the Group will be reduced by HK\$250 million, because of the Hennabun Convertible Note Subscription, and the non-current assets of the Group will be increased in the same amount.

Scenario (3) Completion of both the Hennabun Shares Acquisition and the Hennabun Convertible Note Subscription taking place

Following completion of the Hennabun Shares Acquisition, Hennabun will become a non-wholly owned subsidiary of the Company. Accordingly, the Hennabun Convertible Note Subscription will constitute an intra-group transaction within the Enlarged Group. There will be no additional effect arising from the Hennabun Convertible Note Subscription on the consolidated net loss of the Enlarged Group. However, loss attributable to the Shareholder in this scenario is less than that in scenario (1), as part of the interest expenses on the Hennabun Convertible Note will be shared by the minority shareholders of Hennabun. The unaudited pro forma financial information of the Enlarged Group as set out in Appendix III(C) to this circular shows the financial effect arising from the Hennabun Shares Acquisition and the Hennabun Convertible Note Subscription on the Group in detail.

LETTER FROM THE BOARD

POTENTIAL FUNDS RAISING EXERCISE

To facilitate the Enlarged Group's future development after completion of Hennabun Shares Acquisition and/or the Hennabun Convertible Note Subscription and to further enhance the Enlarged Group's working capital, if and when considered necessary, the Group will consider raising additional funds through various means. On 12 January 2009, the Company announced a proposed rights issue. The estimated net proceeds of the rights issue will be between approximately HK\$103.8 million (assuming no share options are exercised on or before the record date) to approximately HK\$104.9 million (assuming all of the share options are exercised on or before the record date). The Company intends to utilize approximately HK\$90 million from that rights issue for the Hennabun Convertible Note Subscription and the remaining proceeds as general working capital.

GENERAL

The Company is an investment holding company and its subsidiaries are principally engaged in the trading of securities, provision of finance, property holding, insurance business and investment holding.

The Hennabun Shares Acquisition and/or the Hennabun Convertible Note Subscription constitute very substantial acquisitions of the Company under Chapter 14 of the Listing Rules. The S&P Agreement and the CN Subscription Agreement together with the transactions contemplated thereunder will be subject to, amongst other things, the approval of the Shareholders at the EGM.

Pursuant to Rule 13.39(4) of the Listing Rules, all votes at the EGM will be taken by poll and the Company will announce the results of the poll in the manner set out in Rule 13.39(5) of the Listing Rules.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Hennabun Shares Acquisition and the Hennabun Convertible Note Subscription are fair and reasonable and in the interests of Shareholders as a whole and recommend the Shareholders to vote in favour of the resolutions proposed at the EGM to approve the Hennabun Shares Acquisition and the Hennabun Convertible Note Subscription.

LETTER FROM THE BOARD

EGM

The EGM Notice is set out on page EGM-1 to EGM-3 of this circular.

A form of proxy is enclosed for use at the EGM. Whether or not you intend to attend the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the Company's share registrars, Tricor Secretaries Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event so as to arrive not less than 48 hours before the time fixed for holding the EGM. The return of a form of proxy will not preclude you from attending and voting in person at the EGM if you so wish.

Your attention is drawn to the Appendices to this circular.

Yours faithfully
For and on behalf of the Board
FREEMAN CORPORATION LIMITED
Lo Kan Sun
Managing Director

1. FINANCIAL SUMMARY

Set out below is a summary of the audited financial information of the Group for the three year ended 31 March 2008 and the unaudited financial information on the Group for the six months ended 30 September 2008 and six months ended 30 September 2007 extracted from the relevant annual reports and interim reports of the Company.

Deloitte Touche Tohmatsu, the former auditors of the Company, expressed a qualified opinion regarding limitation of audit scope on the audited consolidated financial statements of the Group for the year ended 31 March 2006. Further, Ernst and Young, the existing auditors of the Company, qualified their opinion regarding prior year audit scope limitation affecting opening balances on the audited consolidated financial statements of the Group for the year ended 31 March 2007. Independent auditors' reports for the three years ended 31 March 2008 are set out in the section headed "Independent Auditors' Report" of this appendix.

Results of the Group

	For the year ended 31 March			For the six months ended 30 September	
	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i> (Restated)	2006 <i>HK\$'000</i> (Note)	2008 <i>HK\$'000</i> (Unaudited)	2007 <i>HK\$'000</i> (Restated) (Unaudited)
Revenue	85,340	21,467	74,405	(4,765)	83,637
Cost of sales	(7,802)	(2,721)	(57,715)	(3,092)	(4,482)
Gross Profit	77,538	18,746	16,690	(7,857)	79,155
Other income and gains	27,294	965	–	2,734	21,782
Gains/(losses) arising from changes in fair value of investment properties, net	16,130	1,157	(2,700)	(9,043)	982
Gain on disposal of subsidiaries, net	–	–	–	–	37
Fair value (losses)/gains on investments at fair value through profit or loss, net	(456,450)	373	7,514	(309,188)	(209,829)
Fair value loss on derivative instrument	–	(21,308)	–	–	–
General and administrative expenses	(40,829)	(29,350)	(13,570)	(15,636)	(15,753)
Impairment of available-for-sale equity investments	–	–	(34,130)	–	–
Other expenses	(13,981)	(136,384)	(26,247)	(10,114)	–
Finance costs	(6,059)	(7,467)	(1,274)	(2,558)	(1,758)
Share of (losses)/profit of an associate, net of impairment in an associate	–	(41,692)	400	–	–
Loss Before Tax	(396,357)	(214,960)	(53,317)	(351,662)	(125,384)
Tax	(7,351)	1,927	(2,383)	–	–

APPENDIX I
FINANCIAL INFORMATION OF THE GROUP

	For the year ended 31 March			For the six months ended	
	2008	2007	2006	30 September	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Restated)	(Note)	(Unaudited)	(Unaudited)
Loss for the year from continuing operations	(403,708)	(213,033)	(55,700)	(351,662)	(125,384)
Profit/(Losses) for the year from a discontinued operation	–	771	(104,070)	–	–
Loss for the year	<u>(403,708)</u>	<u>(212,262)</u>	<u>(159,770)</u>	<u>(351,662)</u>	<u>(125,384)</u>
Loss per share attributable to ordinary equity holders of the Company					
Basic					
– For loss for the year	<u>HK(59.68) cents</u>	<u>HK(137.69) cents</u>	<u>HK(67.46) cents</u>	<u>HK(38.04) cents</u>	<u>HK(35.99) cents</u>
– For loss from continuing Operations	<u>HK(59.68) cents</u>	<u>HK(138.19) cents</u>	<u>HK(23.52) cents</u>	<u>N/A</u>	<u>N/A</u>
Diluted					
– For loss for the year	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
– For loss from continuing Operations	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

Note: The financial results for the year ended 31 March 2006 was not restated for the new accounting standards and interpretation, which were adopted for preparing the financial results for the two years ended 31 March 2008 presented in the above table. As such, the financial results for the year ended 31 March 2006 is not comparable to that for the two years ended 31 March 2008.

Financial Position of the Group

	For the year ended 31 March			For the six months ended 30 September	
	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>	2008 <i>HK\$'000</i> (Unaudited)	2007 <i>HK\$'000</i> (Unaudited)
Assets and liabilities					
Non-current assets	202,690	134,750	185,118	196,631	202,690
Current assets	<u>883,634</u>	<u>526,350</u>	<u>337,455</u>	<u>965,368</u>	<u>883,634</u>
Total assets	<u>1,086,324</u>	<u>661,100</u>	<u>522,573</u>	<u>1,161,999</u>	<u>1,086,324</u>
Current liabilities	15,880	30,261	20,930	15,000	15,880
Non-current liabilities	<u>127,135</u>	<u>41,601</u>	<u>–</u>	<u>91,420</u>	<u>127,135</u>
Total liabilities	<u>143,015</u>	<u>71,862</u>	<u>20,930</u>	<u>106,420</u>	<u>143,015</u>
Equity attributable to equity Holders of the Company	<u>943,309</u>	<u>589,238</u>	<u>501,643</u>	<u>1,055,579</u>	<u>943,309</u>

2. UNAUDITED FINANCIAL STATEMENTS OF THE GROUP FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008

The following is a reproduction of the text of the unaudited condensed consolidated financial statements of the Group together with the accompanying notes contained on page 1 to 13 of the interim report of the Company for the six months ended 30 September 2008.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2008

	NOTES	For the six months ended 30 September	
		2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited) (Restated)
REVENUE	4	(4,765)	83,637
Cost of sales		<u>(3,092)</u>	<u>(4,482)</u>
Gross profit/(loss)		(7,857)	79,155
Other income and gains		2,734	21,782
Gains/(losses) arising from changes in fair value of investment properties, net		(9,043)	982
Gain on disposal of subsidiaries, net		–	37
Fair value losses on investments at fair value through profit or loss, net		(309,188)	(209,829)
General and administrative expenses		(15,636)	(15,753)
Other expenses		(10,114)	–
Finance costs		<u>(2,558)</u>	<u>(1,758)</u>
LOSS BEFORE TAX	5	(351,662)	(125,384)
Tax	6	<u>–</u>	<u>–</u>
LOSS FOR THE PERIOD ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY		<u><u>(351,662)</u></u>	<u><u>(125,384)</u></u>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		(Restated)
Basic		<u><u>HK(38.04) cents</u></u>	<u><u>HK(35.99) cents</u></u>
Diluted		<u><u>N/A</u></u>	<u><u>N/A</u></u>

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 September 2008

		30 September 2008	31 March 2008
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		30,222	31,271
Investment properties	9	92,566	101,579
Prepaid land premium		50,376	51,047
Available-for-sale investment		17,672	18,793
Loans receivable	10	4,014	–
Deposits paid for purchases of investment properties		1,781	–
		<u>196,631</u>	<u>202,690</u>
Total non-current assets			
CURRENT ASSETS			
Loans receivable	10	256,671	254,152
Prepayments, deposits and other receivables	11	5,181	5,042
Investments at fair value through profit or loss		353,307	345,791
Cash and bank balances		350,209	278,649
		<u>965,368</u>	<u>883,634</u>
Total current assets			
CURRENT LIABILITIES			
Other payables and accruals		4,366	5,934
Interest-bearing bank borrowings		5,928	5,240
Tax payable		4,706	4,706
		<u>15,000</u>	<u>15,880</u>
Total current liabilities			
NET CURRENT ASSETS		<u>950,368</u>	<u>867,754</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,146,999</u>	<u>1,070,444</u>

APPENDIX I**FINANCIAL INFORMATION OF THE GROUP**

		30 September 2008	31 March 2008
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		88,989	92,541
Convertible notes		–	31,853
Deferred tax liabilities		<u>2,431</u>	<u>2,741</u>
Total non-current liabilities		<u>91,420</u>	<u>127,135</u>
Net assets		<u><u>1,055,579</u></u>	<u><u>943,309</u></u>
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	<i>12</i>	488,659	814,431
Reserves		<u>566,920</u>	<u>128,878</u>
Total equity		<u><u>1,055,579</u></u>	<u><u>943,309</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2008

	Attributable to equity holders of the Company									
	Issued capital	Share premium	Equity component of convertible notes	Share option reserve	Capital redemption reserve	Distributable reserve	Special reserve	Available-for-sale investment revaluation reserve	Accumulated losses	Total equity
	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
At 1 April 2007	247,397	109,094	-	-	485	595,191	35,131	-	(398,060)	589,238
Gain on changes in fair value of available-for-sale investments	-	-	-	-	-	-	-	226	-	226
Loss for the period	-	-	-	-	-	-	-	-	(125,384)	(125,384)
Total income/(expense) for the period	-	-	-	-	-	-	-	226	(125,384)	(125,158)
Equity-settled share option arrangements	-	-	-	3,681	-	-	-	-	-	3,681
Placings of shares	223,455	96,337	-	-	-	-	-	-	-	319,792
Rights issue of shares	156,399	26,437	-	-	-	-	-	-	-	182,836
Exercise of share options	24,680	14,046	-	(3,681)	-	-	-	-	-	35,045
At 30 September 2007	<u>651,931</u>	<u>245,914</u>	<u>-</u>	<u>-</u>	<u>485</u>	<u>595,191</u>	<u>35,131</u>	<u>226</u>	<u>(523,444)</u>	<u>1,005,434</u>
At 1 April 2008	814,431	273,643	18,994	7,530	485	595,191	35,131	(667)	(801,429)	943,309
Loss for the period	-	-	-	-	-	-	-	-	(351,662)	(351,662)
Total expense for the period	-	-	-	-	-	-	-	-	(351,662)	(351,662)
Rights issue of shares	407,216	81,443	-	-	-	-	-	-	-	488,659
Redemption of convertible notes	-	-	(18,994)	-	-	-	-	-	7,315	(11,679)
Capital reorganisation	(732,988)	-	-	-	-	-	-	-	732,988	-
Share issue expenses	-	(13,048)	-	-	-	-	-	-	-	(13,048)
At 30 September 2008	<u>488,659</u>	<u>342,038</u>	<u>-</u>	<u>7,530</u>	<u>485</u>	<u>595,191</u>	<u>35,131</u>	<u>(667)</u>	<u>(412,788)</u>	<u>1,055,579</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2008

	For the six months ended 30 September	
	2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)
Net cash outflow from operating activities	(352,057)	(237,133)
Net cash inflow/(outflow) from investing activities	2,293	(1,814)
Net cash inflow from financing activities	<u>421,324</u>	<u>547,215</u>
Net increase in cash and cash equivalents	71,560	308,268
Cash and cash equivalents at beginning of period	<u>278,649</u>	<u>72,626</u>
Cash and cash equivalents at end of period	<u>350,209</u>	<u>380,894</u>
Analysis of balances of cash and cash equivalents		
Cash and bank balances	<u><u>350,209</u></u>	<u><u>380,894</u></u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2008

1. Basis of preparation

This interim condensed consolidated financial statements for the six months ended 30 September 2008 have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited.

The interim condensed consolidated financial statements do not include all information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2008.

2. Summary of the effects of the changes in accounting policies

The accounting policies adopted in the preparation of interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2008, except for the adoption of the following new and revised standards and interpretations issued by HKICPA for the first time for the current period’s interim condensed consolidated financial statements.

HK(IFRIC)-Int 12	<i>Service Concession Arrangements</i>
HK(IFRIC)-Int 14	<i>HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i>

The adoption of the above new and revised standards and interpretations has had no material impact on the accounting policies of the Group and the methods of computation in the Group’s interim condensed consolidated financial statements.

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these unaudited interim condensed consolidated financial statements. The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on its results of operations and financial position.

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of HKFRSs</i> and HKAS 27 <i>Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i> ⁴
HKFRS 2 Amendments	Amendments to HKFRS 2 <i>Share-based Payment – Vesting Conditions and Cancellations</i> ¹
HKFRS 3 (Revised)	<i>Business Combinations</i> ⁴
HKFRS 8	<i>Operating Segments</i> ¹
HKAS 1 (Revised)	<i>Presentation of Financial Statements</i> ¹
HKAS 23 (Revised)	<i>Borrowing Costs</i> ¹
HKAS 27 (Revised)	<i>Consolidated and Separate Financial Statements</i> ⁴
HKAS 32 and HKAS 1	Amendments to HKAS 32 <i>Financial Instruments:</i> <i>Presentation</i> and Amendments to HKAS 1 <i>Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation</i> ¹
HKAS 39 Amendments	Amendments to HKAS 39 <i>Financial Instruments:</i> <i>Recognition and Measurements – Eligible Hedged Items</i> ⁴
HKAS 39 and HKFRS 7	Amendments to HKAS 39 <i>Financial Instruments:</i> <i>Recognition and Measurements</i> and HKFRS 7 <i>Financial Instruments: Disclosures – Reclassification of Financial Assets</i> ⁴
HK(IFRIC)-Int 13	<i>Customer Loyalty Programmes</i> ²
HK(IFRIC)-Int 15	<i>Agreements for the Construction of Real Estate</i> ¹
HK(IFRIC)-Int 16	<i>Hedges of a Net Investment in a Foreign Operation</i> ³

¹ Effective for annual periods beginning on or after 1 January 2009

² Effective for annual periods beginning on or after 1 July 2008

³ Effective for annual periods beginning on or after 1 October 2009

⁴ Effective for annual periods beginning on or after 1 July 2009

3. Segment information

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

- (i) the trading of securities segment engages in the purchase and sale of securities and the holding of investments primarily for dividend income and capital appreciation;
- (ii) the provision of finance segment engages in the provision of financing services in Hong Kong;
- (iii) the property holding and investment segment engages primarily in the investments in commercial and residential properties for their rental income potential and/or their appreciation in values;
- (iv) the insurance agency and brokerage business segment engages in general and life insurance brokerage business and the provision of related investment linked financial products in Hong Kong; and
- (v) the investment holding segment engages in holding investments for continuing strategic or long term purposes, primarily for their dividend income and capital appreciation.

Segment information about these businesses is presented below:

Business Segments

	For the six months ended 30 September 2008						Consolidated HK\$'000 (Unaudited)
	Provision of finance HK\$'000 (Unaudited)	Trading of securities HK'000 (Unaudited)	Property holding and investment HK\$'000 (Unaudited)	Insurance agency and brokerage HK\$'000 (Unaudited)	Investment activities HK\$'000 (Unaudited)	Elimination of intersegment transactions HK\$'000 (Unaudited)	
SEGMENT REVENUE	7,230	(15,907)	1,776	2,136	-	-	(4,765)
SEGMENT RESULTS	2,625	(325,128)	(7,574)	(3,677)	-	-	(333,754)
Unallocated corporate expenses							(15,350)
Finance costs							(2,558)
Loss before tax							(351,662)
Tax							-
Loss for the period							(351,662)

	For the six months ended 30 September 2007						Consolidated HK\$'000 (Unaudited) (Restated)
	Provision of finance HK\$'000 (Unaudited)	Trading of securities HK'000 (Unaudited) (Restated)	Property holding and investment HK\$'000 (Unaudited)	Insurance agency and brokerage HK\$'000 (Unaudited)	Investment activities HK\$'000 (Unaudited)	Elimination of intersegment transactions HK\$'000 (Unaudited)	
SEGMENT REVENUE	7,316	72,029	1,450	3,172	8,829	(9,159)	83,637
SEGMENT RESULTS	7,416	(137,245)	1,730	11,703	9,513	(9,159)	(116,042)
Unallocated corporate expenses							(7,584)
Finance costs							(1,758)
Loss before tax							(125,384)
Tax							-
Loss for the period							(125,384)

4. Revenue

Revenue, which is also the Group's turnover, represents interest income earned from provision of finance; dividend income from equity investments; gains/(losses) from the sale of investments at fair value through profit or loss; insurance agency and brokerage income; and gross rental income received and receivable from investment properties during the period.

	For the six months ended 30 September	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited) (Restated)
Gains/(losses) from the sale of investments at fair value through profit or loss, net [#]	(17,177)	70,766
Interest income from provision of finance	7,230	7,316
Dividend income from investments at fair value through profit or loss	1,270	1,263
Gross rental income	1,776	1,120
Insurance agency and brokerage income	2,136	3,172
	<u>(4,765)</u>	<u>83,637</u>

[#] *The Group's proceeds from the sale of investments at fair value through profit or loss and the corresponding carrying amount were separated into "Revenue" and "Cost of sales", respectively, in the prior period's condensed consolidated income statement. During the current period, the Group changed its presentation, as in the opinion of the directors, it is more appropriate to present the gains/losses from the sale of investments at fair value through profit or loss in "Revenue" on a net basis.*

The effect of this change in presentation was to decrease revenue and cost of sales for the six months ended 30 September 2008 by HK\$164,705,000, representing the carrying amount of investments at fair value through profit or loss disposed of during the period.

To conform with the current period's presentation, the carrying amount of investments at fair value through profit or loss disposed of for the six months ended 30 September 2007 of HK\$815,126,000 has been offset against revenue, resulting in a decrease in revenue and cost of sales for that period by the same amount. This has resulted in no change in the amount of accumulated losses as at 1 April 2007.

5. Loss before tax

The Group's loss before tax is arrived at after charging:

	For the six months ended 30 September	
	2008 <i>HK\$'000</i> (Unaudited)	2007 <i>HK\$'000</i> (Unaudited)
Depreciation	1,083	711
Equity-settled share option expenses	–	2,502
Share-based payment paid to investment advisors	–	1,179
Loss on disposal of items of property, plant and equipment	58	–
Loss on redemption of convertible notes*	5,333	–
Impairment of loans receivable*	4,781	–
	<u> </u>	<u> </u>

* *These items are included in "Other expenses" on the face of the condensed consolidated income statement.*

6. Tax

No provision for tax was made as the Group has not derived any estimated assessable profit for the period (2007: nil).

7. Dividend

The directors do not recommend the payment of any interim dividend for the period (2007: nil).

8. Loss per share attributable to ordinary equity holders of the Company**(a) Basic loss per share**

The calculation of basic loss per share for the period is based on the loss for the period attributable to ordinary equity holders of the Company of HK\$351,662,000 (2007: HK\$125,384,000) and on the weighted average of 924,437,000 (2007: 348,419,000, as restated) ordinary shares in issue. The basic loss per share amounts for the six months ended 30 September 2008 and 2007 have been adjusted to reflect (1) the capital reorganisation effected on 14 May 2008 which involved (i) a reduction of the nominal value of each issued ordinary share of the Company from HK\$0.10 to HK\$0.01 each by the cancellation of HK\$0.09 of the paid up capital for each issued ordinary share; (ii) the cancellation of the credit arising from such reduction towards the accumulated losses of the Company in the amount of approximately HK\$732,988,000 with the balance to be transferred to the distributable reserve of the Company; and (iii) the consolidation of every ten reduced shares of HK\$0.01 each in the capital of the Company into one adjusted share (“Adjusted Share”) (the “Capital Reorganisation”); (2) a rights issue of five rights share for every Adjusted Shares was made on 8 July 2008 at an issue price of HK\$0.12 per rights share, resulting in the issue of 4,072,156,000 new ordinary shares of HK\$0.10 each (the “Rights Issue”); and (3) the share consolidation subsequent to the balance sheet date as further detailed in note 16 to the interim condensed consolidated financial statements.

(b) Diluted loss per share

Diluted loss per share amounts for the periods ended 30 September 2008 and 2007 have not been disclosed, as the share options outstanding during these periods had an anti-dilutive effect on the basic loss per share amounts for these periods.

9. Investment properties

	30 September 2008	31 March 2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Carrying amount at beginning of period/year	101,579	63,340
Additions	30	50,589
Disposal of a subsidiary	–	(11,500)
Transfer to owner-occupied property	–	(34,810)
Transfer from owner-occupied properties	–	17,830
Change in fair value of investment properties, net	<u>(9,043)</u>	<u>16,130</u>
Carrying amount at end of period/year	<u><u>92,566</u></u>	<u><u>101,579</u></u>

The fair values of the Group's investment properties at 30 September 2008 have been arrived at on the basis of valuation performed by independent professionally qualified valuers on an open market, existing use basis.

10. Loans receivable

	30 September 2008	31 March 2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Loans receivable	265,466	254,152
Impairment	<u>(4,781)</u>	<u>–</u>
	260,685	254,152
Loans receivable within one year included in current assets	<u>(256,671)</u>	<u>(254,152)</u>
Non-current portion	<u><u>4,014</u></u>	<u><u>–</u></u>

Loans receivable represent receivables arising from the provision of finance business of the Group, and bear interest at floating rates ranging from 1% below the Hong Kong dollar prime rate quoted by the Hong Kong and Shanghai Banking Corporation Limited (the “Prime Rate”) per annum to 4% per month (31 March 2008: from the Prime Rate per annum to 3% above the Prime Rate per annum). The grantings of these loans were approved and monitored by the Company’s executive directors in charge of the Group’s provision of finance operation.

11. Prepayments, deposits and other receivables

	30 September 2008	31 March 2008
	<i>HK\$’000</i>	<i>HK\$’000</i>
	(Unaudited)	(Audited)
Deposits and prepayments	1,973	1,893
Other receivables	2,168	2,206
Prepaid land premium	690	455
Advances to employees/agents	350	1,798
	<hr/>	<hr/>
	5,181	6,352
Impairment	–	(1,310)
	<hr/>	<hr/>
	5,181	5,042
	<hr/> <hr/>	<hr/> <hr/>

12. Share capital

	30 September 2008	31 March 2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Authorised:		
50,000,000,000 (31 March 2008: 50,000,000,000) ordinary shares of HK\$0.1 each	<u>5,000,000</u>	<u>5,000,000</u>
Issued and fully paid:		
4,886,587,480 (31 March 2008: 8,144,312,470) ordinary shares of HK\$0.1 each	<u><u>488,659</u></u>	<u><u>814,431</u></u>

A summary of the movements of the Company's issued capital is as follows:

	<i>Note</i>	Number of shares in issue	Issued capital <i>HK\$'000</i>
At 1 April 2008		<u><u>8,144,312,470</u></u>	<u><u>814,431</u></u>
Capital Reorganisation		(7,329,881,223)	(732,988)
Rights Issue		4,072,156,235	407,216
Repurchase of shares	(a)	<u>(2)</u>	<u>–</u>
At 30 September 2008		<u><u>4,886,587,480</u></u>	<u><u>488,659</u></u>

Note:

- (a) During the six months ended 30 September 2008, the Company had repurchased two ordinary shares of HK\$0.1 each on the Stock Exchange of Hong Kong Limited at HK\$0.04 per share. The repurchased shares were cancelled and, accordingly, the issued capital of the Company was reduced by the nominal value of these shares. The difference between the issued capital purchased and the value of cash consideration paid was credited to the capital redemption reserve of the Company.

13. Share option scheme

The share option scheme of the Company was approved and adopted by the shareholders at the extraordinary general meeting held on 23 August 2002 (the “2002 Scheme”). The 2002 Scheme shall be valid and effective for a period of 10 years commencing from 23 August 2002. Details of the 2002 Scheme are as disclosed in the Company’s 2007/2008 Annual Report.

2008

The following share options were outstanding under the 2002 Scheme during the period:

Name or category of participant	Number of share options**					At 30 September 2008	Date of grant of share options*	Exercise period of share options*	Adjusted exercise price of share options HK\$ (Note 1)
	At 1 April 2008	Granted during the period	Exercised during the period	Cancelled during the period	Adjustments during the period				
Employees In aggregate	540,000,000	-	-	(19,000,000)	(472,955,500)	48,044,500	20-11-2007	20-11-2007 to 19-11-2012	0.728

* The vesting period of the share options is from the date of the grant until the commencement of the exercise period.

** The exercise price and the number of the share options are subject to adjustment in the case of rights or bonus, or other similar changes in the Company’s share capital.

Note:

(1) During the period, as a result of the completion of the Capital Reorganisation and the Rights Issue of the Company, adjustments were made to the exercise price and the number of the outstanding share options granted under the 2002 Scheme.

14. Pledge of assets

At 30 September 2008, (i) investments held for trading of approximately HK\$353,307,000 were pledged to a financial institution to secure margin financing facilities provided to the Group; (ii) prepaid land premium and buildings of approximately HK\$51,066,000 and HK\$19,869,000, respectively, were pledged to a bank to secure loan facilities granted to the Group; and (iii) investment properties with a total carrying amount of HK\$92,566,000 were pledged to banks to secure loan facilities granted to the Group.

15. Comparative amounts

As further explained in note 4 to the interim condensed consolidated financial statements, certain comparative amounts have been reclassified to conform with the current period's presentation.

16. Post balance sheet events

- (a) On 12 August 2008, the Company proposed a capital reorganisation whereby (i) the nominal value of all the issued existing shares be reduced from HK\$0.1 each to HK\$0.02 each by cancelling HK\$0.08 paid up on each issued existing share by way of a reduction of capital; (ii) the credit arising from such reduction will be applied towards cancelling the accumulated deficit of the Company with the balance (if any) to be transferred to the distributable reserve account of the Company; and (iii) every five reduced shares of HK\$0.02 each be consolidated into one consolidated share of HK\$0.10 each.

The proposed capital reorganisation has been approved by the Grand Court of the Cayman Islands and by the shareholders of the Company and effected on 25 November 2008.

- (b) On 23 October 2008, the Group entered into a sale and purchase agreement with a vendor, pursuant to which the Group has agreed to purchase, and the vendor has agreed to sell, the property of unit 2801 on 28th Floor, China United Centre, No. 28 Marble Road, North Point, Hong Kong for a cash consideration of approximately HK\$14,178,000. The transaction has not been completed at the date of issuance of this interim condensed consolidated financial statements.
- (c) On 10 November 2008, the Group entered into a sale and purchase agreement and an assignment with the vendor, pursuant to which the Group has agreed to purchase, and the vendor has agreed to sell, the property of unit 2802 on 28th Floor, China United Centre, No. 28 Marble Road, North Point, Hong Kong for a cash consideration of approximately HK\$10,720,000. The transaction has been completed on 10 November 2008.

- (d) On 25 November 2008, Freeman Financial Services Ltd (“FFSL”), a wholly-owned subsidiary of the Company, as the purchaser entered into a sale and purchase agreement (the “S&P Agreement”) with Equity Spin Investments Limited (“Equity Spin”) as the vendor, pursuant to which FFSL agreed to purchase and Equity Spin agreed to sell approximately 3,937,133,000 fully paid ordinary shares of US\$0.01 each of Hennabun Capital Group Limited (“Hennabun”) for a consideration of HK\$105,800,000. On the same day, FFSL as the subscriber entered into a convertible note subscription agreement with Hennabun, pursuant to which FFSL agreed to subscribe and Hennabun agreed to issue convertible notes in a principal amount of HK\$250,000,000 (the “Convertible Note Subscription Agreement”). A special general meeting of the Company will be held to consider and, if thought fit, pass the resolutions to approve, amongst other things, the S&P Agreement and the Convertible Note Subscription Agreement. The transaction has not been completed at the date of issuance of this interim condensed consolidated financial statements.

3. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31 MARCH 2008

The following is a reproduction of the text of the audited consolidated financial statements of the Group together with the accompanying notes contained on pages 23 to 107 of the annual report of the Company for the year ended 31 March 2008.

CONSOLIDATED INCOME STATEMENT

Year ended 31 March 2008

	<i>Notes</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i> (Restated)
CONTINUING OPERATIONS			
REVENUE	5	85,340	21,467
Cost of sales		<u>(7,802)</u>	<u>(2,721)</u>
Gross profit		77,538	18,746
Other income and gains	5	27,294	965
Gains arising from changes in fair value of investment properties, net	15	16,130	1,157
Fair value gains/(losses) on investments at fair value through profit or loss, net		(456,450)	373
Fair value loss on derivative instrument		–	(21,308)
General and administrative expenses		(40,829)	(29,350)
Other expenses		(13,981)	(136,384)
Finance costs	7	(6,059)	(7,467)
Share of profit of an associate, net of impairment of an investment in an associate	19	<u>–</u>	<u>(41,692)</u>
LOSS BEFORE TAX	6	(396,357)	(214,960)
Tax	10	<u>(7,351)</u>	<u>1,927</u>
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS	11	(403,708)	(213,033)
DISCONTINUED OPERATION			
Profit for the year from a discontinued operation	12	<u>–</u>	<u>771</u>
LOSS FOR THE YEAR		<u><u>(403,708)</u></u>	<u><u>(212,262)</u></u>

	<i>Notes</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i> (Restated)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	<i>13</i>		
Basic			
– For loss for the year		<u>HK(59.68) cents</u>	<u>HK(137.69) cents</u>
– For loss from continuing operations		<u>HK(59.68) cents</u>	<u>HK(138.19) cents</u>
Diluted			
– For loss for the year		<u>N/A</u>	<u>N/A</u>
– For loss from continuing operations		<u>N/A</u>	<u>N/A</u>

CONSOLIDATED BALANCE SHEET

31 March 2008

	<i>Notes</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment	<i>14</i>	31,271	2,145
Investment properties	<i>15</i>	101,579	63,340
Prepaid land premium	<i>16</i>	51,047	4,100
Goodwill	<i>17</i>	–	12,129
Investment in an associate	<i>19</i>	–	50,000
Available-for-sale investment	<i>20</i>	18,793	–
Deposits paid for purchases of investment properties		–	3,036
Total non-current assets		<u>202,690</u>	<u>134,750</u>
CURRENT ASSETS			
Loans receivable	<i>21</i>	254,152	295,230
Prepayments, deposits and other receivables	<i>22</i>	5,042	26,461
Investments at fair value through profit or loss	<i>23</i>	345,791	132,006
Tax recoverable		–	27
Cash and bank balances	<i>24</i>	<u>278,649</u>	<u>72,626</u>
Total current assets		<u>883,634</u>	<u>526,350</u>
CURRENT LIABILITIES			
Other payables and accruals		5,934	8,804
Interest-bearing bank and other borrowings	<i>25</i>	5,240	21,457
Tax payable		<u>4,706</u>	–
Total current liabilities		<u>15,880</u>	<u>30,261</u>
NET CURRENT ASSETS		<u>867,754</u>	<u>496,089</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,070,444</u>	<u>630,839</u>

APPENDIX I**FINANCIAL INFORMATION OF THE GROUP**

	<i>Notes</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	25	92,541	41,145
Convertible notes	26	31,853	–
Deferred tax liabilities	27	2,741	456
		<u> </u>	<u> </u>
Total non-current liabilities		<u>127,135</u>	<u>41,601</u>
Net assets		<u>943,309</u>	<u>589,238</u>
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	28	814,431	247,397
Reserves	30(a)	128,878	341,841
		<u> </u>	<u> </u>
Total equity		<u>943,309</u>	<u>589,238</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2008

	Notes	Attributable to equity holders of the Company										
		Issued capital	Share premium account	Equity component of convertible notes	Share option reserve	Capital redemption reserve	Distributable reserve	Special reserve ^d	Available-for-sale investment revaluation reserve	Exchange fluctuation reserve	Accumulated losses	Total equity
At 1 April 2006		135,411	348,574	-	-	485	595,191	35,131	30,398	4,034	(647,581)	501,643
Changes in fair value of available-for-sale investments and total income for the year recognised directly in equity	20	-	-	-	-	-	-	-	8,194	-	-	8,194
Loss for the year		-	-	-	-	-	-	-	-	-	(212,262)	(212,262)
Total income/(expense) for the year		-	-	-	-	-	-	-	8,194	-	(212,262)	(204,068)
Issue of convertible notes	26	-	-	7,780	-	-	-	-	-	-	-	7,780
Placement of new shares	28(a), (e)	161,200	9,900	-	-	-	-	-	-	-	-	171,100
Issuance of consideration shares	28(b), (d)	31,000	33,000	-	-	-	-	-	-	-	-	64,000
Redemption of convertible notes	26	-	-	(3,501)	-	-	-	-	-	-	1,025	(2,476)
Conversion of convertible notes	26, 28(f)	22,634	32,287	(4,279)	-	-	-	-	-	-	-	50,642
Capital reorganisation	28(c)	(133,206)	(327,552)	-	-	-	-	-	-	-	460,758	-
Equity-settled share option arrangements	29	-	-	-	5,312	-	-	-	-	-	-	5,312
Exercise of share options	28(g)	30,358	16,739	-	(5,312)	-	-	-	-	-	-	41,785
Release on disposal of a subsidiary	31(b)	-	-	-	-	-	-	-	-	(4,034)	-	(4,034)
Release on disposal of available-for-sale investment	20	-	-	-	-	-	-	-	(12,415)	-	-	(12,415)
Release on impairment of an associate ^{##}	19	-	-	-	-	-	-	-	(26,177)	-	-	(26,177)
Share issue expenses	28	-	(3,854)	-	-	-	-	-	-	-	-	(3,854)
At 31 March 2007		247,397	109,094*	-*	-*	485*	595,191*	35,131*	-*	-	(398,060)*	589,238

APPENDIX I

FINANCIAL INFORMATION OF THE GROUP

	Notes	Attributable to equity holders of the Company							Available- for-sale investment revaluation reserve	Accumulated losses	Total equity
		Issued capital	Share premium account	Equity component of convertible notes	Share option reserve	Capital redemption reserve	Distributable reserve	Special reserve [†]			
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2007		247,397	109,094	-	-	485	595,191	35,131	-	(398,060)	589,238
Changes in fair value of available-for-sale investment and total expense for the year recognised directly in equity	20	-	-	-	-	-	-	-	(667)	-	(667)
Loss for the year		-	-	-	-	-	-	-	-	(403,708)	(403,708)
Total expense for the year		-	-	-	-	-	-	-	(667)	(403,708)	(404,375)
Issue of convertible notes	26	-	-	94,971	-	-	-	-	-	-	94,971
Conversion of convertible notes	26, 28(i)	162,500	27,809	(74,078)	-	-	-	-	-	-	116,231
Redemption of convertible notes	26	-	-	(1,899)	-	-	-	-	-	339	(1,560)
Placement of new shares	28(h)	223,455	103,917	-	-	-	-	-	-	-	327,372
Rights issue	28(i)	156,399	31,280	-	-	-	-	-	-	-	187,679
Equity-settled share option arrangements	29	-	-	-	11,210	-	-	-	-	-	11,210
Exercise of share options	28(m)	24,680	14,046	-	(3,680)	-	-	-	-	-	35,046
Share issue expenses	28	-	(12,503)	-	-	-	-	-	-	-	(12,503)
At 31 March 2008		814,431	273,643*	18,994*	7,530*	485*	595,191*	35,131*	(667)*	(801,429)*	943,309

* *These reserve accounts comprise the consolidated reserves of HK\$128,878,000 (2007: HK\$341,841,000) in the consolidated balance sheet.*

The special reserve of the Group represents the difference between the aggregate amount of the share capital and share premium account of a company which was the former holding company of the Group and the nominal value of the Company's shares issued pursuant to the group reorganisation in 1992.

Certain of the Group's investment in an associate was acquired through the exercise of the associate's convertible notes and was originally accounted for as an available-for-sale investment.

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 March 2008

	<i>Notes</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
CASH FLOWS FROM			
OPERATING ACTIVITIES			
Loss before tax:			
From continuing operations		(396,357)	(214,960)
From a discontinued operation	<i>12</i>	–	771
Adjustments for:			
Finance costs	<i>7</i>	6,059	7,467
Share of profit of an associate, net of impairment of an investment in an associate		–	41,692
Interest income	<i>5</i>	(29,569)	(30,261)
Depreciation	<i>6</i>	1,872	595
Recognition of prepaid land premium	<i>6</i>	247	5
Foreign exchange difference arising from available-for-sale investment	<i>6</i>	126	–
Fair value losses/(gains) on investments at fair value through profit or loss, net		456,450	(373)
Gain on disposal of an investment property	<i>5</i>	–	(393)
Loss on disposal/write-off of items of property, plant and equipment	<i>6</i>	30	188
Loss on revaluation upon reclassification of an owner-occupied property to an investment property	<i>6</i>	43	–
Loss on disposal of available-for- sale investment	<i>6</i>	–	15,932
Loss on disposal of subsidiaries	<i>31(b)</i>	212	7,564
Loss on redemption of convertible notes	<i>6</i>	287	1,359
Fair value loss on derivative instrument		–	21,308
Gain on disposal of subsidiaries of a discontinued operation	<i>12, 31(b)</i>	–	(59,836)
Gains arising from changes in fair value of investment properties, net		(16,130)	(1,157)
Gain on settlement of other borrowings	<i>5</i>	(14,545)	–
Impairment of goodwill	<i>6, 17</i>	12,129	44,050
Impairment of loans receivable	<i>6</i>	–	67,479
Impairment of trade and other receivables and deposits	<i>12</i>	–	59,065
Impairment of other receivables	<i>6</i>	1,310	–
Equity-settled share option expenses	<i>29</i>	11,210	5,312
		<u>33,374</u>	<u>(34,193)</u>

APPENDIX I**FINANCIAL INFORMATION OF THE GROUP**

		2008	2007
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Decrease/(increase) in loans receivable		41,078	(125,755)
Decrease/(increase) in prepayments, deposits and other receivables		20,509	(9,490)
Increase in investments at fair value through profit or loss		(670,235)	(81,324)
Decrease in other payables and accruals		<u>(1,515)</u>	<u>(11,230)</u>
Cash used in operations		(576,789)	(261,992)
Interest received		29,569	30,261
Interest paid		(3,257)	(4,829)
Hong Kong profits tax refunded		<u>–</u>	<u>182</u>
Net cash outflow from operating activities		<u>(550,477)</u>	<u>(236,378)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	<i>14</i>	(23,437)	(218)
Proceeds from disposal of items of property, plant and equipment		410	–
Purchases of investment properties	<i>15</i>	(47,553)	(59,550)
Additions to prepaid land premium	<i>16</i>	(38,711)	–
Proceeds from disposal of an investment property		–	2,393
Deposits paid for purchases of investment properties		–	(3,036)
Acquisition of subsidiaries	<i>31(a)</i>	–	4,956
Proceeds from disposal of an associate		50,000	–
Proceeds from disposal of available- for-sale investment		–	13,670
Proceeds from disposal of a discontinued operation	<i>31(b)</i>	–	127,998
Disposal of subsidiaries	<i>31(b)</i>	5,994	6,948
Purchase of available-for-sale investment		<u>(19,586)</u>	<u>(100,000)</u>
Net cash outflow from investing activities		<u>(72,883)</u>	<u>(6,839)</u>

APPENDIX I**FINANCIAL INFORMATION OF THE GROUP**

	<i>Notes</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from placement of new shares and rights issue	28	515,051	171,100
Proceeds from issue of convertible notes	26	243,406	96,949
Proceeds from exercise of share options	28(g), (m)	35,046	41,785
Share issue expenses	28	(12,503)	(3,854)
Drawdown of bank and other borrowings		62,287	220,569
Repayment of bank and other borrowings		(8,904)	(195,370)
Redemption of convertible notes	26	<u>(5,000)</u>	<u>(45,000)</u>
Net cash inflow from financing activities		<u>829,383</u>	<u>286,179</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of year		<u>72,626</u>	<u>29,664</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR			
		<u><u>278,649</u></u>	<u><u>72,626</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		<u><u>278,649</u></u>	<u><u>72,626</u></u>

BALANCE SHEET*31 March 2008*

	<i>Notes</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Interests in subsidiaries	<i>18</i>	<u>101,256</u>	<u>26,483</u>
CURRENT ASSETS			
Prepayments, deposits and other receivables	<i>22</i>	574	268
Due from subsidiaries	<i>18</i>	631,669	505,479
Tax recoverable		–	27
Cash and bank balances	<i>24</i>	<u>236,711</u>	<u>61,472</u>
Total current assets		<u>868,954</u>	<u>567,246</u>
CURRENT LIABILITIES			
Due to subsidiaries	<i>18</i>	2,438	2,075
Other payables and accruals		<u>2,213</u>	<u>2,865</u>
Total current liabilities		<u>4,651</u>	<u>4,940</u>
NET CURRENT ASSETS		<u>864,303</u>	<u>562,306</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		965,559	588,789
NON-CURRENT LIABILITIES			
Convertible notes	<i>26</i>	<u>31,853</u>	<u>–</u>
Net assets		<u><u>933,706</u></u>	<u><u>588,789</u></u>
EQUITY			
Issued capital	<i>28</i>	814,431	247,397
Reserves	<i>30(b)</i>	<u>119,275</u>	<u>341,392</u>
Total equity		<u><u>933,706</u></u>	<u><u>588,789</u></u>

NOTES TO FINANCIAL STATEMENTS*31 March 2008***1. Corporate information**

Freeman Corporation Limited is a limited liability company incorporated in the Cayman Islands. The principal place of business of the Company is located at 8th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong.

During the year, the Group was principally engaged in the trading of securities, provision of finance, property holding and investment, insurance agency and brokerage business, and investment holding.

2.1 Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, available-for-sale investment and investments at fair value through profit or loss, which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 March 2008. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The acquisition of subsidiaries has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

2.2 Impact of new and revised Hong Kong Financial Reporting Standards

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretations has had no material effect on these financial statements.

HKFRS 7	Financial Instruments: Disclosures
HKAS 1 Amendment	Capital Disclosures
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) ***HKFRS 7 Financial Instruments: Disclosures***

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results of operations of the Group, comparative information has been included/revised where appropriate.

(b) *Amendment to HKAS 1 Presentation of Financial Statements – Capital Disclosures*

This amendment requires the Group to make disclosures that enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. These new disclosures are shown in note 39 to the financial statements.

(c) *HK(IFRIC)-Int 8 Scope of HKFRS 2*

This interpretation requires HKFRS 2 to be applied to any arrangement in which the Group cannot identify specifically some or all of the goods or services received, for which equity instruments are granted or liabilities (based on a value of the Group's equity instruments) are incurred by the Group for a consideration, and which appears to be less than the fair value of the equity instruments granted or liabilities incurred. As the Company has only issued equity instruments to the Group's employees and investment advisors for identified services provided in accordance with the Company's share option scheme, the interpretation has had no effect on these financial statements.

(d) *HK(IFRIC)-Int 9 Reassessment of Embedded Derivatives*

This interpretation requires that the date to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative is the date that the Group first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. As the Group's existing policy of accounting for derivatives complies with the requirements of the interpretation, the interpretation has had no material impact on the financial position or results of operations of the Group.

(e) *HK(IFRIC)-Int 10 Interim Financial Reporting and Impairment*

The Group has adopted this interpretation as of 1 April 2007, which requires that an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument classified as available-for-sale or a financial asset carried at cost is not subsequently reversed. As the Group had no impairment losses previously reversed in respect of such assets, the interpretation has had no impact on the financial position or results of operations of the Group.

(f) HK(IFRIC)-Int 11 HKFRS 2 – Group and Treasury Share Transactions

This interpretation requires arrangements whereby an employee is granted rights to the Group's equity instruments to be accounted for as an equity-settled scheme, even if the Group acquires the instruments from another party, or the shareholders provide the equity instruments needed. This interpretation also addresses the accounting for share-based payment transactions involving two or more entities within the Group. As the Group currently has no such transactions, the interpretation has had no effect on these financial statements.

2.3 Impact of issued but not yet effective Hong Kong Financial Reporting Standards

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 2 Amendments	Amendments to HKFRS 2 Share-based Payment – Vesting Conditions and Cancellations ¹
HKFRS 3 (Revised)	Business Combinations ²
HKFRS 8	Operating Segments ¹
HKAS 1 (Revised)	Presentation of Financial Statements ¹
HKAS 23 (Revised)	Borrowing Costs ¹
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ²
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 Financial Instruments: Presentation and HKAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation ¹
HK(IFRIC)-Int 12	Service Concession Arrangements ⁴
HK(IFRIC)-Int 13	Customer Loyalty Programmes ³
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction ⁴

¹ Effective for annual periods beginning on or after 1 January 2009

² Effective for annual periods beginning on or after 1 July 2009

³ Effective for annual periods beginning on or after 1 July 2008

⁴ Effective for annual periods beginning on or after 1 January 2008

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on the Group's results of operations and financial position.

2.4 Summary of significant accounting policies

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Upon the disposal of interests in subsidiaries, any gain or loss arising thereon, including the realisation of the attributable reserves, is included in the income statement.

Associate

An associate is an entity, not being a subsidiary, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's investment in an associate is stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of an associate is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's investment in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of an associate is included as part of the Group's interest in an associate.

Upon the disposal of an investment in an associate, any gain or loss arising thereon, including the realisation attributable reserves, is included in the income statement.

Goodwill

Goodwill arising on the acquisition of subsidiaries and an associate represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses. In the case of an associate, goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 March.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets, investment properties and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill and certain financial assets is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the income statement in the period in which it arises.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment 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 items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Changes in the values of property, plant and equipment are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the income statement. Any subsequent revaluation surplus is credited to the income statement to the extent of the deficit previously charged. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	Over the lease terms
Leasehold improvements	Over the shorter of the lease terms and 15%
Furniture, fixtures and equipment	15%
Computer equipment	33 $\frac{1}{3}$ %
Motor vehicles	30%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the supply of services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties, the deemed cost of the property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under “Property, plant and equipment and depreciation” up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under “Property, plant and equipment and depreciation” above.

Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Group assesses whether a contract contains an embedded derivative when the Group first becomes a party to it and assesses whether an embedded derivative is required to be separated from the host contract when the analysis shows that the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts. Gains or losses on these financial assets are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any dividends on these financial assets, which are recognised in accordance with the policy set out for “Revenue recognition” below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity securities that are designated as available for sale or are not classified in any of the other two categories. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement. Losses arising from the impairment of such investments are recognised in the income statement as “Impairment losses on available-for-sale financial assets” and are transferred from the available-for-sale investment revaluation reserve.

When the fair value of unlisted equity securities cannot be reliably measured because (i) the variability in the range of reasonable fair value estimates is significant for that investment or (ii) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm’s length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and other valuation models.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to loans receivable, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological, market economic or legal environment that have an adverse effect on the debtor) that the Group will not be able to collect all of the amounts due under the original/revised terms of a loan agreement. The carrying amount of the loans receivable is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. A provision for impairment is made for available-for-sale investments when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is “significant” or “prolonged” requires judgement. In addition, the Group evaluates other factors, such as the share price volatility. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement.

Impairment losses on debt instruments are reversed through the income statement if the increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in the income statement.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (i) has transferred substantially all the risks and rewards of the asset, or (ii) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities at amortised cost (including interest-bearing bank and other borrowings)

Financial liabilities including other payables and interest-bearing bank and other borrowings are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised within “finance costs” in the income statement.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Financial guarantee contracts

Financial guarantee contracts in the scope of HKAS 39 are accounted for as financial liabilities. A financial guarantee contract is recognised initially at its fair value less transaction costs that are directly attributable to the acquisition or issue of the financial guarantee contract, except when such contract is recognised at fair value through profit or loss. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*.

Convertible notes

The component of convertible notes that exhibits characteristics of a liability is recognised as a liability in the balance sheet, net of transaction costs. On issuance of convertible notes, the fair value of the liability component is determined using a market rate for an equivalent non-convertible note; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders’ equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible notes based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Derivative financial instruments

Derivative financial instruments are classified as held for trading unless they are designated as effective hedging instruments. They are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to the income statement.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheets, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

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.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Operating leases

Leases where substantially all the rewards and risks 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.

Prepaid land premium under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) rental income, on a time proportion basis over the lease terms;
- (b) income from the sale of equity and debt securities, on a trade-date basis;
- (c) dividend income, when the shareholders' right to receive payment has been established;
- (d) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset; and
- (e) insurance agency and brokerage income, on the inception of the associated insurance policy.

Related parties

A party is considered to be related to the Group if:

- (a) the party, directly or indirectly through one or more intermediaries, (1) controls, is controlled by, or is under common control with, the Group; (2) has an interest in the Group that gives it significant influence over the Group; or (3) has joint control over the Group;
- (b) the party is an associate;
- (c) the party is a jointly-controlled entity;
- (d) the party is a member of the key management personnel of the Group;
- (e) the party is a close member of the family of any individual referred to in (a) or (d);
- (f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
- (g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

Share-based payment transactions

The Company operates a share option scheme for the purpose of providing incentives and/or rewards to eligible participants (including the Company's directors and other employees of the Group and of the investee entities and any consultant, advisor or agent engaged by any member of the Group or any investee entity) who render services and/or contribute to the success of the Group's operations. Employees (including directors) and advisors of the Group receive remuneration in the form of share-based payment transactions, whereby employees/advisors render services as consideration for equity instruments ("equity-settled transactions").

In situations where equity instruments are issued and some or all of the goods or services received by the Group as consideration cannot be specifically identified, the unidentifiable goods or services are measured as the difference between the fair value of the share-based payment and the fair value of any identifiable goods or services received at the grant date.

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using the Black-Scholes Option Pricing Model, further details of which are given in note 29 to the financial statements. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company (“market conditions”), if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees/advisors become fully entitled to the award (the “vesting date”). The cumulative expense recognised for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the Group’s best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employees/advisors as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

The Group has adopted the transitional provisions of HKFRS 2 in respect of equity-settled awards and has applied HKFRS 2 only to equity-settled awards granted after 7 November 2002 that had not vested by 1 April 2005 and to those granted on or after 1 April 2005.

Other employee benefits

Retirement benefit scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the “MPF Scheme”) under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees’ 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, except for the Group’s employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

3. Significant accounting judgements and estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the supply of services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the supply of services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. More details are given in note 17 to the financial statements.

Estimation of fair value of investment properties and the apportionment between leasehold land and building elements

The fair value of the Group's investment properties and the apportionment between leasehold land and building elements are assessed by management based on the property valuation performed by independent qualified valuers on an open market, existing use basis. The assumptions adopted in the property valuation are based on market conditions existing at each balance sheet date, with reference to comparable sales transactions and where appropriate, on the basis of capitalisation of the net income after allowances for outgoings and, in some cases, provisions for reversionary income potential.

Impairment of loans receivable

The Group maintains an allowance for estimated losses arising from the inability of its borrowers to make the required payments. The Group makes its estimates based on the ageing of its loans receivable balances, borrowers' creditworthiness and historical write-off experience. If the financial condition of its borrowers was to deteriorate so that the actual impairment loss might be higher than expected, the Group would be required to revise the basis of making the allowance and its future results would be affected.

Measurement of convertible notes

On issuance of convertible notes, the fair value of the liability component is determined using a market rate for an equivalent non-convertible note; and this amount is carried as a liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in the shareholders' equity, net of transaction costs. The determination of the liability component requires an estimation of the market interest rate.

Measurement of fair value of equity-settled transactions

The Company operates a share option scheme under which employees (including directors) and advisors of the Group receive remuneration in the form of share-based payment transactions. The cost of these equity-settled transactions with employees and advisors is measured by reference to the fair value at the date at which they are granted, using assumptions including expected volatility and risk-free interest rate.

4. Segment information

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

Segment information is presented by way of the Group's primary segment reporting basis, by business segment. In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets. No further geographical segment information is presented as over 90% of the Group's revenue is derived from customers based in Hong Kong, and over 90% of the Group's assets are located in Hong Kong.

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

- (i) the trading of securities segment engages in the purchase and sale of securities and the holding of investments primarily for interest income, dividend income and capital appreciation;
- (ii) the provision of finance segment engages in the provision of financing services in Hong Kong;
- (iii) the trading of goods segment engaged in the purchase and sale of commodities;
- (iv) the property holding and investment segment engages primarily in the investments in commercial and residential properties for their rental income potential and/or their appreciation in values;
- (v) the insurance agency and brokerage business segment engages in general and life insurance brokerage business in Hong Kong; and
- (vi) the investment holding segment engages in holding investments for continuing strategic or long term purposes, primarily for their dividend income and capital appreciation.

Business segments

The following tables present revenue, loss and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 March 2008 and 2007.

Group

	Continuing operations						Discontinued operation		
	Trading of securities 2008 HK\$'000	Provision of finance 2008 HK\$'000	Property holding and investment 2008 HK\$'000	Insurance agency and brokerage business 2008 HK\$'000	Investment holding 2008 HK\$'000	Eliminations 2008 HK\$'000	Total 2008 HK\$'000	Trading of goods 2008 HK\$'000	Consolidated 2008 HK\$'000
Segment revenue:									
Revenue from external customers	59,070	17,464	2,590	6,216	2,092	-	85,340	21,467	85,340
Intersegment sales	-	-	-	-	-	(11,570)	-	-	-
Other revenue	645	398	16,155	14,673	47	-	31,583	2,186	31,583
Total	59,715	17,574	18,745	20,889	2,139	(11,570)	116,923	23,653	116,923
Segment results	(396,922)	(27,519)	7,683	(5,948)	(4,055)	(10,634)	(397,749)	771	(397,749)
Interest and unallocated gains							11,642	26,658	11,642
Unallocated expenses							(4,191)	(86,085)	(4,191)
Finance costs							(6,059)	(7,467)	(6,059)
Share of profit of an associate, net of impairment of an investment in an associate							-	-	(7,467)
Profit/(loss) before tax							-	(41,692)	-
Tax							(396,357)	(214,960)	(396,357)
Profit/(loss) for the year							(7,351)	1,927	(7,351)
Assets and liabilities							(403,708)	(213,033)	(403,708)
Segment assets	347,126	254,228	304,681	204,423	72,711	2,559	3,861	1,500,526	597,803
Investment in an associate	-	-	-	-	-	-	-	50,000	50,000
Unallocated assets	-	-	-	-	-	-	11,588	13,297	11,588
Total assets							1,086,324	661,100	1,086,324
Segment liabilities									
Investment in an associate									
Unallocated liabilities									
Total liabilities									

	Continuing operations						Discontinued operation												
	Trading of securities		Provision of finance		Property holding and investment		Insurance agency and brokerage business		Investment holding		Eliminations		Total		Trading of goods		Consolidated		
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	
HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	
Segment liabilities	786,279	196,765	313,503	373,339	104,342	75,650	38,198	45,991	2,566	3,011	(1,234,126)	(623,601)	10,762	71,155	-	-	10,762	71,155	
Unallocated liabilities	-	-	-	-	-	-	-	-	-	-	-	-	132,253	707	-	-	132,253	707	
Total liabilities	-	-	-	-	-	-	-	-	-	-	-	-	143,015	71,862	-	-	143,015	71,862	
Other segment information:																			
Depreciation – allocated	-	-	-	-	499	7	150	121	-	-	-	-	649	128	-	-	649	128	
Depreciation – unallocated	-	-	-	-	-	-	-	-	-	-	-	-	1,223	467	-	-	1,223	467	
Recognition of prepaid land premium	-	-	-	-	247	5	-	-	-	-	-	-	247	5	-	-	247	5	
Gains arising from changes in fair value of investment properties, net	-	-	-	-	16,130	1,157	-	-	-	-	-	-	16,130	1,157	-	-	16,130	1,157	
Impairment of loans receivable	-	-	-	67,479	-	-	-	-	-	-	-	-	-	67,479	-	-	-	67,479	
Impairment of trade and other receivables and deposits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Fair value losses/(gains) on investments at fair value through profit or loss, net	456,450	(373)	-	-	-	-	-	-	-	-	-	-	456,450	(373)	-	-	456,450	(373)	
Loss on redemption of convertible notes	-	-	-	-	-	-	-	-	287	1,359	-	-	287	1,359	-	-	287	1,359	
Capital expenditure	-	-	-	-	100,674	68,801	181	-	11,882	-	-	-	112,737	68,801	-	-	112,737	68,801	

5. Revenue, other income and gains

Revenue, which is also the Group's turnover, represents interest income earned from provision of finance; interest income and dividend income from equity investments; gains/(losses) from the sale of investments at fair value through profit or loss; insurance agency and brokerage income; and gross rental income received and receivable from investment properties during the year.

An analysis of revenue, other income and gains is as follows:

	Group	
	2008	2007
	HK\$'000	HK\$'000 (Restated)
Revenue		
Interest income from provision of finance	17,464	26,449
Interest income from unlisted securities	–	3,503
Dividend income from investments at fair value through profit or loss	1,263	163
Gains/(losses) from the sale of investments at fair value through profit or loss, net [#]	57,807	(11,968)
Gross rental income	2,590	1,228
Insurance agency and brokerage income	6,216	2,092
	85,340	21,467
	85,340	21,467
Other income and gains		
Bank interest income	11,634	309
Other interest income	471	–
Gain on disposal of an investment property	–	393
Gain on settlement of other borrowings	14,545	–
Others	644	263
	27,294	965
	27,294	965

[#] The Group's proceeds from the sale of investments at fair value through profit or loss and the corresponding carrying amount were separated into "Revenue" and "Cost of sales", respectively, in the prior year's consolidated income statement. During the current year, the Group changed its presentation, as in the opinion of the directors, it is more appropriate to present the gains/losses from the sale of investments at fair value through profit or loss in "Revenue" on a net basis.

The effect of this change in presentation was to decrease revenue and cost of sales for the year ended 31 March 2008 by HK\$1,254,282,000, representing the carrying amount of investments at fair value through profit or loss disposed of during the year.

To conform with the current year's presentation, the carrying amount of investments at fair value through profit or loss disposed of for the year ended 31 March 2007 of HK\$328,714,000 has been offset against revenue, resulting in a decrease in revenue and cost of sales for that year by the same amount. This has resulted in no change in the amount of accumulated losses as at 1 April 2006.

6. Loss before tax

The Group's loss before tax is arrived at after charging:

		Group	
	<i>Notes</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Depreciation	14	1,872	595
Recognition of prepaid land premium	16	247	5
Employee benefits expenses (excluding directors' remuneration (<i>note 8</i>)):			
Wages, salaries and allowances		9,959	5,287
Equity-settled share option expenses	29	10,032	2,336
Pension scheme contributions (defined contribution scheme)*		260	164
		<u>20,251</u>	<u>7,787</u>
Share-based payment paid to investment advisors for investment advisory services	29	1,178	2,976
Auditors' remuneration		2,400	2,527
Foreign exchange difference arising from available-for-sale investment		126	–
Minimum lease payments under operating leases in respect of land and buildings		442	940
Direct operating expenses arising on rental-earning investment properties		766	277
Loss on disposal/write-off of items of property, plant and equipment		30	188
Loss on revaluation upon reclassification of an owner-occupied property to an investment property**	14	43	–
Loss on disposal of available-for- sale investment**		–	15,932
Loss on disposal of subsidiaries**	31(b)	212	7,564
Loss on redemption of convertible notes**		287	1,359
Impairment of an investment in an associate	19	–	69,099
Impairment of goodwill**	17	12,129	44,050
Impairment of loans receivable**	21	–	67,479
Impairment of other receivables**	22	1,310	–
		<u>1,310</u>	<u>–</u>

* At 31 March 2008, the Group had no material forfeited contributions available to reduce its contributions to the retirement benefits scheme in future years (2007: Nil).

** These items were presented on the face of the consolidated income statement for the year ended 31 March 2007. During the year, the Group changed its presentation, as in the opinion of the directors, it is more appropriate to include these items in "Other expenses" on the face of the consolidated income statement. Accordingly, the comparative amounts of these items have been reclassified to conform with the current year's presentation.

7. Finance costs

	Group	
	2008	2007
	HK\$'000	HK\$'000
Interest on:		
Bank loans not wholly repayable within five years	3,063	948
Overdrafts and other loans wholly repayable within five years	194	3,881
Convertible notes (<i>note 26</i>)	2,802	2,638
Total finance costs	6,059	7,467

8. Directors' remuneration

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Fees	600	535
Other emoluments:		
Salaries and other benefits	2,162	2,378
Retirement benefits scheme contributions (defined contribution scheme)	41	56
<i>Less: Forfeited contributions</i>	–	(160)
Net pension scheme contributions	41	(104)
	2,203	2,274
	2,803	2,809

(a) *Independent non-executive directors*

The fees paid to independent non-executive directors during the year were as follows:

	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Mr. Chiu Siu Po	120	120
Ms. Hui Wai Man, Shirley	120	120
Mr. Gary Drew Douglas	120	120
Mr. Peter Temple Whitelam	120	47
Mr. Lam Ping Cheung	–	28
Mr. Lo Ming Chi, Charles	–	47
	480	482

There were no other emoluments payable to the independent non-executive directors during the year (2007: Nil).

(b) Executive directors

	Fees <i>HK\$'000</i>	Salaries and other benefits <i>HK\$'000</i>	Net pension scheme contributions <i>HK\$'000</i>	Total remuneration <i>HK\$'000</i>
2008				
Dr. Yang Fan Shing, Andrew	120	–	–	120
Mr. Kwong Wai Tim, William	–	240	12	252
Ms. Kwok Wai Ming	–	1,586	12	1,598
Ms. Au Shuk Yee, Sue	–	336	17	353
	<u>120</u>	<u>2,162</u>	<u>41</u>	<u>2,323</u>
2007				
Dr. Yang Fan Shing, Andrew	53	–	–	53
Mr. Kwong Wai Tim, William	–	390	20	410
Ms. Kwok Wai Ming	–	1,498	12	1,510
Ms. Au Shuk Yee, Sue	–	266	13	279
Ms. Yau Shum Tek, Cindy*	–	89	(28)	61
Mr. Lai Ming Wai*	–	135	(121)	14
	<u>53</u>	<u>2,378</u>	<u>(104)</u>	<u>2,327</u>

* *Ms. Yau Shum Tek, Cindy and Mr. Lai Ming Wai resigned as executive directors of the Company with effect from 14 August 2006 and 15 August 2006, respectively.*

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

9. Five highest paid employees

The five highest paid employees during the year included one (2007: one) of the Company's directors, details of whose remuneration are disclosed in note 8 above. Details of the remuneration of the remaining four (2007: four) non-director, highest paid employees for the year are as follows:

	Group	
	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Salaries and allowances	2,477	2,858
Employee share option benefits	4,621	711
Pension scheme contributions	44	75
	<u>7,142</u>	<u>3,644</u>

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2008	2007
Nil – HK\$1,000,000	–	4
HK\$1,000,001 – HK\$1,500,000	3	–
HK\$2,500,001 – HK\$3,000,000	1	–
	<u>4</u>	<u>4</u>

During the year, 324,800,000 share options were granted to all of the above four non-director, highest paid employees in respect of their services to the Group, further details of which are set out in note 29 to the financial statements. The fair value of such share options granted, which has been recognised to the income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director, highest paid employees' remuneration disclosures.

10. Tax

Hong Kong profits tax has been provided at the rate of 17.5% (2007: 17.5%) on the estimated assessable profits arising in Hong Kong during the year.

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Group:		
Current – Hong Kong		
Charge for the year	2,475	–
Under/(over) provision in prior year	2,258	(2,383)
Deferred (<i>note 27</i>)	<u>2,618</u>	<u>456</u>
Tax charge/(credit) attributable to continuing operations reported in the consolidated income statement	<u><u>7,351</u></u>	<u><u>(1,927)</u></u>

A reconciliation of the tax credit applicable to loss before tax using the Hong Kong statutory tax rate (the statutory tax rate of the Company's and the majority of its subsidiaries' principal place of business) to the tax charge/(credit) at the Group's effective tax rate is as follows:

	Group	
	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Loss before tax (including profit from a discontinued operation)	<u><u>(396,357)</u></u>	<u><u>(214,189)</u></u>
Tax credit at the Hong Kong statutory tax rate of 17.5% (2007: 17.5%)	(69,362)	(37,483)
Adjustments in respect of current tax of previous periods	2,258	(2,383)
Profit attributable to an associate	–	(215)
Income not subject to tax	(2,435)	(682)
Expenses not deductible for tax	4,990	23,549
Tax losses utilised from previous periods	(1,505)	(9)
Tax losses not recognised	<u>73,405</u>	<u>15,296</u>
Tax charge/(credit) at the Group's effective tax rate	7,351	(1,927)
Tax charge attributable to a discontinued operation	<u>–</u>	<u>–</u>
Tax charge/(credit) attributable to continuing operations reported in the consolidated income statement	<u><u>7,351</u></u>	<u><u>(1,927)</u></u>

The share of tax attributable to an associate amounting to HK\$215,000 for the year ended 31 March 2007 was included in “Share of profit of an associate, net of impairment of an investment in an associate” on the face of the consolidated income statement.

11. Loss attributable to equity holders of the Company

The consolidated loss attributable to equity holders of the Company for the year ended 31 March 2008 includes a loss of HK\$413,529,000 (2007: HK\$257,210,000) which has been dealt with in the financial statements of the Company (*note 30(b)*).

12. Discontinued operation

In the prior year, the Group decided to dispose of 55% of its then wholly-owned subsidiary – Mega Victory Limited (“Mega Victory”) and its subsidiaries (collectively the “Mega Victory Group”), together with the assignment of 55% of the amount of a shareholder loan (the “Partial Disposal”) because of its plan to focus its resources on its current and future core business. The Mega Victory Group was primarily engaged in the general trading business in prior years and became inactive since September 2005. The operation of the Mega Victory Group constituted a strategic business unit and a separate component of the Group, which represented the Group’s trading of goods segment. The Partial Disposal of the Mega Victory Group was completed on 28 September 2006. Further details of the Partial Disposal were also set out in a circular of the Company dated 31 August 2006. Subsequent to the Partial Disposal, the Group does not have any control nor is in a position to exercise significant influence over the Mega Victory Group and therefore, the remaining 45% equity investment in Mega Victory has been treated as an available-for-sale investment. Accordingly, the Partial Disposal had effectively resulted in the discontinuation of the Group’s trading of goods operation.

The results of the Mega Victory Group for the year ended 31 March 2007 were presented below:

	<i>Note</i>	2007 <i>HK\$'000</i>
Results of the discontinued operation		–
Impairment of trade and other receivables and deposits		(59,065)*
Gain on disposal of subsidiaries	<i>31(b)</i>	<u>59,836</u>
Profit for the year from the discontinued operation		<u><u>771</u></u>

* Upon the completion of the Partial Disposal, the carrying amount of the Group's remaining 45% interest in the Mega Victory Group amounted to approximately HK\$59,065,000, which represented the aggregate of the Group's equity investment in Mega Victory of HK\$450 (classified as an available-for-sale investment) and the loan receivable from Mega Victory (the "Shareholder's Loan") of approximately HK\$59,065,000, net of an impairment provision of approximately HK\$44,953,000. As at 31 March 2007, based on the assessment made by the Company's directors on the financial position and future prospect of the Mega Victory Group, full provision was made on the outstanding balance of the Shareholder's Loan.

	2007 (Restated)
Earnings per share:	
Basic, from the discontinued operation	<u><u>HK0.50 cents</u></u>
Diluted, from the discontinued operation	<u><u>N/A</u></u>

The calculation of basic earnings per share from the discontinued operation was based on:

	2007
Profit attributable to ordinary equity holders of the Company from the discontinued operation	HK\$771,000
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation (restated)	<u><u>154,160,000</u></u>

Diluted earnings per share amount for the year ended 31 March 2007 had not been disclosed, as the share options and the convertible notes outstanding during that year had an anti-dilutive effect on the basic earnings per share for that year.

13. Loss per share attributable to ordinary equity holders of the Company

(a) *Basic loss per share*

The calculation of basic loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the Company of HK\$403,708,000 (2007: HK\$212,262,000), and the weighted average number of 676,484,000 (2007: 154,160,000, as restated) ordinary shares in issue during the year. The basic loss per share amounts for the years ended 31 March 2008 and 2007 have been adjusted to reflect the rights issue during the year (*note 28(i)*) and the share consolidation subsequent to the balance sheet date as further detailed in note 40(a).

The calculation of basic loss per share amounts from continuing operations is based on the loss for the year from continuing operations attributable to ordinary equity holders of the Company of HK\$403,708,000 (2007: HK\$213,033,000), and the weighted average number of 676,484,000 (2007: 154,160,000, as restated) ordinary shares in issue during the year. The basic loss per share amounts from continuing operations for the years ended 31 March 2008 and 2007 have been adjusted to reflect the rights issue during the year (*note 28(i)*) and the share consolidation subsequent to the balance sheet date as further detailed in note 40(a).

(b) *Diluted loss per share*

Diluted loss per share amounts for the years ended 31 March 2008 and 2007 have not been disclosed as the share options and convertible notes outstanding during these years had an anti-dilutive effect on the basic loss per share amounts for these years.

14. Property, plant and equipment

Group

	Buildings <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Computer equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
31 March 2008						
At 31 March 2007 and at 1 April 2007:						
Cost	1,040	622	979	970	925	4,536
Accumulated depreciation	(2)	(622)	(669)	(777)	(321)	(2,391)
Net carrying amount	1,038	–	310	193	604	2,145
At 1 April 2007, net of accumulated depreciation	1,038	–	310	193	604	2,145
Additions	11,357	8,344	3,466	270	–	23,437
Disposals	–	–	–	–	(440)	(440)
Disposal of a subsidiary (note 31(b))	–	–	(53)	–	–	(53)
Transfer from an investment property (note 15)*	11,937	–	–	–	–	11,937
Deficit on revaluation at transfer to investment properties (note 6)	(43)	–	–	–	–	(43)
Transfer to investment properties (note 15)	(3,840)	–	–	–	–	(3,840)
Depreciation provided during the year	(493)	(741)	(369)	(153)	(116)	(1,872)
At 31 March 2008, net of accumulated depreciation	<u>19,956</u>	<u>7,603</u>	<u>3,354</u>	<u>310</u>	<u>48</u>	<u>31,271</u>
At 31 March 2008:						
Cost	20,407	8,966	4,384	1,240	149	35,146
Accumulated depreciation	(451)	(1,363)	(1,030)	(930)	(101)	(3,875)
Net carrying amount	<u>19,956</u>	<u>7,603</u>	<u>3,354</u>	<u>310</u>	<u>48</u>	<u>31,271</u>

Group

	Buildings HK\$'000	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Computer equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
31 March 2007						
At 1 April 2006:						
Cost	–	365	575	546	850	2,336
Accumulated depreciation	–	(156)	(381)	(407)	(44)	(988)
Net carrying amount	–	209	194	139	806	1,348
At 1 April 2006, net of accumulated depreciation	–	209	194	139	806	1,348
Additions	–	–	67	76	75	218
Acquisition of subsidiaries (note 31(a))	–	40	180	102	–	322
Write-off	–	(188)	–	–	–	(188)
Transfer from an investment property (note 15)*	1,040	–	–	–	–	1,040
Depreciation provided during the year	(2)	(61)	(131)	(124)	(277)	(595)
At 31 March 2007, net of accumulated depreciation	1,038	–	310	193	604	2,145
At 31 March 2007:						
Cost	1,040	622	979	970	925	4,536
Accumulated depreciation	(2)	(622)	(669)	(777)	(321)	(2,391)
Net carrying amount	1,038	–	310	193	604	2,145

* An investment property of the Group has become owner-occupied during the year and the fair value of its building element of HK\$11,937,000 (2007: HK\$1,040,000) (note 15) at the date of change in use became the deemed cost of the building for subsequent accounting.

The Group's buildings are held under long term leases and are situated in Hong Kong.

At the balance sheet date, the Group's buildings were pledged to secure general banking facilities granted to the Group (note 25).

15. Investment properties

	Group	
	2008	2007
	HK\$'000	HK\$'000
Carrying amount at beginning of year	63,340	3,000
Acquisition of a subsidiary (note 31(a))	–	9,033
Additions	50,589	59,550
Disposal of a subsidiary (note 31(b))	(11,500)	(2,200)
Disposal	–	(2,000)
Transfer to owner-occupied property*	(34,810)	(5,200)
Transfer from owner-occupied properties**	17,830	–
Change in fair value of investment properties, net	16,130	1,157
	<u>101,579</u>	<u>63,340</u>
Carrying amount at 31 March	<u><u>101,579</u></u>	<u><u>63,340</u></u>
Analysis by geographical location:		
Hong Kong	100,779	62,540
Mainland China	800	800
	<u>101,579</u>	<u>63,340</u>

* The amount represented the total of the estimated fair values of the prepaid land lease premium and building elements of the property of HK\$22,873,000 (2007: HK\$4,160,000) (note 16) and HK\$11,937,000 (2007: HK\$1,040,000) (note 14), respectively.

** During the year, certain leasehold land and buildings of the Group were revalued at the date of change in use as investment properties at HK\$17,830,000 on an open market value, existing use basis, representing the total of the estimated fair values of the prepaid land lease premium and building elements of these properties of HK\$13,990,000 (note 16) and HK\$3,840,000 (note 14), respectively.

As at 31 March 2008, the Group's investment properties of HK\$4,500,000 (2007: HK\$4,140,000) are held under medium term leases and HK\$97,079,000 (2007: HK\$59,200,000) are held under long term leases.

The Group's investment properties were revalued on 31 March 2008 based on valuation performed by Asset Appraisal Limited, independent professionally qualified valuers, at HK\$101,579,000 on an open market, existing use basis. The investment properties are currently or expected to be leased to third parties under operating leases, further summary details of which are included in note 33(a) to the financial statements.

At 31 March 2008, the Group's investment properties situated in Hong Kong with an aggregate carrying value of approximately HK\$100,779,000 (2007: HK\$62,540,000) were pledged to secure general banking facilities granted to the Group (*note 25*).

Further particulars of the Group's investment properties are included on pages 109 to 110.

16. Prepaid land premium

	Group	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Carrying amount at beginning of year	4,155	–
Additions	38,711	–
Transfer from investment properties during the year (<i>note 15</i>)	22,873	4,160
Transfer to investment properties during the year (<i>note 15</i>)	(13,990)	–
Recognised during the year	<u>(247)</u>	<u>(5)</u>
Carrying amount at 31 March	51,502	4,155
Current portion included in prepayments, deposits and other receivables	<u>(455)</u>	<u>(55)</u>
Non-current portion	<u><u>51,047</u></u>	<u><u>4,100</u></u>

The leasehold lands are held under long term leases and are situated in Hong Kong. At the balance sheet date, the leasehold lands were pledged to secure general banking facilities granted to the Group (*note 25*).

17. Goodwill

	Group	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net carrying amount at beginning of year	12,129	–
Acquisition of subsidiaries (<i>note 31(a)</i>)	–	56,179
Impairment during the year	<u>(12,129)</u>	<u>(44,050)</u>
Net carrying amount at 31 March	<u>–</u>	<u>12,129</u>
At 31 March		
Cost	56,179	56,179
Accumulated impairment	<u>(56,179)</u>	<u>(44,050)</u>
Net carrying amount	<u>–</u>	<u>12,129</u>

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the insurance agency and brokerage cash-generating unit (the “Cash-generating Unit”), which is a reportable segment, for impairment testing.

The recoverable amount of the Cash-generating Unit as at 31 March 2008 had been determined based on a value in use calculation using cash flow projections based on financial forecast covering a five-year period. The discount rate applied to the cash flow projections was 12.5%.

During the year, the operating performance of the Cash-generating Unit was dismal. In the opinion of the directors, it is uncertain that sufficient cash flow will be generated by the Cash-generating Unit in the foreseeable future to substantiate the carrying amount of the goodwill and, accordingly, a further impairment of HK\$12,129,000 has been made and recognised in the current year’s consolidated income statement, resulting in a full impairment of the goodwill as at 31 March 2008.

Key assumptions were used in the value in use calculation of the Cash-generating Unit as at 31 March 2008. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted revenue and results of operation

The budgeted revenue and results of operation have been determined based on the management's expected market development of the Cash-generating Unit.

Discount rate

The discount rate used are before tax and reflect specific risks relating to the relevant units.

18. Interests in subsidiaries

	Company	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted shares, at cost	10,000	5
Due from subsidiaries	94,808	28,077
	<u>104,808</u>	<u>28,082</u>
<i>Less: Provision for impairment</i>	<u>(3,552)</u>	<u>(1,599)</u>
	<u><u>101,256</u></u>	<u><u>26,483</u></u>

Except for the amounts due from subsidiaries of HK\$91,256,000 (2007: HK\$1,372,000) included in the interests in subsidiaries above which bear interest at 5.25% to 5.5% per annum (2007: 5.5% per annum), the remaining balances with subsidiaries are interest-free, and all these balances are unsecured and are not repayable within one year.

Except for an amount due from a subsidiary of HK\$206,643,000 (2007: HK\$266,442,000) which bears interest at 5.25% to 5.5% per annum (2007: 5.5% per annum), the remaining balances with subsidiaries included in the Company's current assets and liabilities of HK\$425,026,000 (2007: HK\$239,037,000) and HK\$2,438,000 (2007: HK\$2,075,000), respectively, are interest-free, and all these balances are unsecured and are repayable on demand or within one year.

The movements in provision for impairment of amounts due from subsidiaries are as follows:

	Company	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
At beginning of year	398,723	265,222
Impairment losses recognised	403,498	245,154
Disposal of subsidiaries	(111,374)	(111,653)
	<u>690,847</u>	<u>398,723</u>
<i>Less: Current portion</i>	<u>(687,295)</u>	<u>(397,124)</u>
Non-current portion	<u><u>3,552</u></u>	<u><u>1,599</u></u>

An impairment was recognised for certain amounts due from subsidiaries with an aggregate carrying amount of HK\$1,354,470,000 (before deducting the impairment loss) (2007: HK\$884,357,000) because the recoverable amounts of these balances were lower than their carrying amounts. The provision for impairment was made based on an assessment of the recoverable amounts for the corresponding cash-generating units, which requires an estimation of the value in use of the cash-generating units. The remaining amounts due from subsidiaries are neither past due nor impaired and the directors of the Company are of the opinion that these balances are fully recoverable.

The carrying amounts of these amounts due from/to subsidiaries approximate to their fair values.

Particulars of the principal subsidiaries at the balance sheet date were as follows:

Name	Place of incorporation and operations	Nominal value of issued ordinary share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Eastern Sunny Limited	Hong Kong	HK\$2	–	100	Provision of management services
Easy Step Limited	Hong Kong	HK\$1	–	100	Property investment
Freeman Financial Corporation	Cayman Islands	HK\$10,000,000	100	–	Investment holding
Freeman Financial Investment Limited (formerly “Cinergy Financial Services Limited”)	Hong Kong	HK\$10,000	–	100	Provision of insurance agency services
Freeman Financial Services Limited	Hong Kong	HK\$10,000,000	–	100	Provision of life insurance services
Freeman Insurance Services Limited (formerly “Cinergy Insurance Services Limited”)	Hong Kong	HK\$100,000	–	100	Provision of insurance brokerage services
Freeman International Limited	Hong Kong	HK\$1	–	100	Property investment
Freeman Investment Holdings Limited	Hong Kong	HK\$1	–	100	Property investment
Freeman Investment Services Limited (formerly “Cinergy Holdings Limited”)	Hong Kong	HK\$10,000	–	100	Investment holding
Global Day Limited	Hong Kong	HK\$1	–	100	Property investment
Good Develop Limited	Hong Kong	HK\$1	–	100	Property investment
Hansom Finance Limited	Hong Kong	HK\$2	–	100	Provision of finance
Sharp Assets Limited	Hong Kong	HK\$1	–	100	Property investment
Sharp Castle Limited	Hong Kong	HK\$1	–	100	Property investment
Sharp Light International Limited	Hong Kong	HK\$1	–	100	Property investment

Name	Place of incorporation and operations	Nominal value of issued ordinary share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Smart Jump Corporation	British Virgin Islands/ Hong Kong	US\$1	–	100	Trading in securities
Supreme Host Holdings Limited	Hong Kong	HK\$1	–	100	Provision of management services
Swiss Ocean Limited	Hong Kong	HK\$1	–	100	Property investment
Swiss Nice Limited	Hong Kong	HK\$1	–	100	Provision of nominee services
Win Advance Development Limited	Hong Kong	HK\$2	–	100	Property investment
Victory Good Limited	Hong Kong	HK\$1	–	100	Property investment

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

19. Investment in an associate

	Group	
	2008 HK\$'000	2007 HK\$'000
Share of net assets	–	80,897
Goodwill on acquisition	–	38,202
	–	119,099
<i>Less: Provision for impairment</i>	–	(69,099)
	–	50,000

The associate was disposed of during the year.

The Group's loan receivable balance with the associate as at 31 March 2007 was disclosed in note 21 to the financial statements.

Particulars of the associate as at 31 March 2007 were as follows:

Name	Place of incorporation	Particulars of issued shares held	Percentage of equity interest attributable to the Group	Principal activity
Hennabun Capital Group Limited (formerly "Hennabun Management International Limited") ("HCGL")*	British Virgin Islands	Ordinary shares of US\$0.01 each	49	Investment holding

* *Not audited by Ernst & Young Hong Kong or other member firm of the Ernst & Young global network.*

The above associate was indirectly held by the Company since 6 February 2007 and operates in Hong Kong.

For the year ended 31 March 2007, the Group's share of profit of the associate, net of impairment of the investment in the associate, is analysed as follows:

	2007 <i>HK\$'000</i>
Share of profit	1,230
Provision for impairment	(69,099)
Release of available-for-sale investment revaluation reserve	<u>26,177</u>
	<u><u>(41,692)</u></u>

The above associate had been accounted for using the equity method in these financial statements.

The summarised financial information of the Group's associate, which had been extracted from its unaudited consolidated financial statements for the three months ended 31 March 2007, is as follows:

	2007 <i>HK\$'000</i>
Assets	607,875
Liabilities	442,643
Revenue	11,434
Profit	<u>4,195</u>

20. Available-for-sale investment

	Group	
	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Unlisted investment, at market value	<u>18,793</u>	<u>–</u>

During the year, the net fair value loss of the Group's available-for-sale investment recognised directly in equity amounted to HK\$667,000 (2007: net fair value gain of HK\$8,194,000). In the prior year, a net fair value gain of HK\$12,415,000 was removed from equity and recognised in the consolidated income statement for that year upon disposal of the related investment.

21. Loans receivable

	Group	
	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Loans receivable	254,152	362,709
Impairment	<u>–</u>	<u>(67,479)</u>
Balances due within one year included in current assets	<u>254,152</u>	<u>295,230</u>

Loans receivable represent receivables arising from the provision of finance business of the Group, and bear interest at rates ranging from the Hong Kong dollar prime rate quoted by the Hong Kong and Shanghai Banking Corporation Limited (the “Prime Rate”) per annum to 3% above the Prime Rate per annum (2007: from the Prime Rate per annum to 4% per month). The grants of these loans were approved and monitored by the Company’s executive directors in charge of the Group’s provision of finance operation.

An aged analysis of the loans receivable (that are not considered to be impaired) as at the balance sheet date, based on the payment due date, is as follows:

	Group	
	2008	2007
	<i>HK\$’000</i>	<i>HK\$’000</i>
Neither past due nor impaired	254,152	171,944
Within 3 months past due	—	73,286
	<u>254,152</u>	<u>245,230</u>

The movements in provision for impairment of loans receivable are as follows:

	Group	
	2008	2007
	<i>HK\$’000</i>	<i>HK\$’000</i>
At beginning of year	67,479	26,247
Impairment losses recognised (<i>note 6</i>)	—	67,479
Amounts written off as uncollectible	(67,479)	(26,247)
At 31 March	<u>—</u>	<u>67,479</u>

Included in the above provision for impairment of loans receivable as at 31 March 2007 was a provision for an individually impaired loan receivable of HK\$67,479,000 with a carrying amount of HK\$117,479,000. The individually impaired loan receivable related to a borrower that was in financial difficulties and only HK\$50,000,000 of the balance was expected to be recovered. The Group did not hold any collateral or other credit enhancements over the balance.

Loans receivable that were neither past due nor impaired relate to a number of diversified borrowers for whom there was no recent history of default.

Included in the Group's loans receivable as at 31 March 2007 was a loan to the Group's associate of HK\$53,108,000 (*note 36(b)*), which was repayable on similar credit terms to those offered to the other borrowers of the Group. The loan was fully settled during the year.

22. Prepayments, deposits and other receivables

	Group		Company	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Prepayments and deposits	1,893	784	554	140
Other receivables	2,206	23,586	20	128
Prepaid land premium	455	55	–	–
Advances to employees	1,798	2,036	–	–
	<u>6,352</u>	<u>26,461</u>	<u>574</u>	<u>268</u>
Impairment	(1,310)	–	–	–
	<u>5,042</u>	<u>26,461</u>	<u>574</u>	<u>268</u>

The movements in provision for impairment of deposits and other receivables are as follows:

	Group		Company	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At beginning of year	–	89,296	–	–
Impairment losses recognised	1,310	59,065	–	–
Amounts written off as uncollectible	–	(148,361)	–	–
At end of year	<u>1,310</u>	<u>–</u>	<u>–</u>	<u>–</u>

An impairment has recognised for certain deposits and other receivables with an aggregate carrying amount of HK\$1,310,000 (2007: HK\$148,361,000) (before deducting the impairment loss) because the recoverable costs of these balances were lower than their carrying amounts. The Group did not hold any collateral or other credit enhancements over these balances. The remaining balances are neither past due nor impaired and the directors of the Company are of the opinion that these balances are fully recoverable.

As detailed in note 12 to the financial statements, included in the balance as at 31 March 2007 was a loan receivable from Mega Victory of approximately HK\$59,065,000 which had been fully impaired and written off in the prior year.

23. Investments at fair value through profit or loss

	Group	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Listed equity investments, at market value:		
Hong Kong	319,879	92,727
Elsewhere	25,912	26,326
	345,791	119,053
Unlisted investments, at fair value	–	12,953
	345,791	132,006

The above investments at 31 March 2007 and 2008 were classified as held for trading.

The Group's investments in securities with an aggregate carrying value at the balance sheet date of approximately HK\$345,791,000 (2007: HK\$132,006,000) were pledged to certain financial institutions to secure certain margin financing facilities provided to the Group which were not utilised as at 31 March 2008 and 2007.

At the date of approval of these financial statements, the market value of listed equity securities held by the Group as at the balance sheet date was approximately HK\$237,590,000 (2007: HK\$157,921,000).

24. Cash and cash equivalents

Cash at banks of the Group and of the Company earn interest at floating rates based on daily bank deposit rates. The carrying amounts of the cash and bank balances approximate to their fair values.

25. Interest-bearing bank and other borrowings**Group**

	Maturity	2008 Effective interest rate (%) p.a.	HK\$'000	Maturity	2007 Effective interest rate (%) p.a.	HK\$'000
Current						
Bank loans – secured	2009	Prime*-3.15 to Prime*-1.75	5,240	2008	Prime*-2.65 to Prime*-1.75	1,928
Other borrowings – unsecured	–		–	2008	Prime*+2	19,529
			5,240			21,457
Non-current						
Bank loans – secured	2016 – 2023	Prime*-3.15 to Prime*-1.75	92,541	2016 – 2030	Prime*-2.65 to Prime*-1.75	41,145
			97,781			62,602

	Group	
	2008	2007
	HK\$'000	HK\$'000
Analysed into:		
Bank loans repayable:		
Within one year	5,240	1,928
In the second year	6,256	2,036
In the third to fifth years, inclusive	32,006	11,204
Beyond five years	54,279	27,905
	97,781	43,073
Other borrowings repayable:		
Within one year	–	19,529
	97,781	62,602

* Represents the Hong Kong dollar prime lending rate as quoted by Bank of East Asia Limited, Citibank (Hong Kong) Limited or Bank of Communications Limited.

Notes:

- (a) All interest-bearing bank and other borrowings are in Hong Kong dollars.
- (b) In the prior year, the Group's overdraft facilities amounting to HK\$3,000,000 were secured by the pledge of certain of the Group's investment properties amounting to HK\$11,500,000. The Group did not utilise any of the overdraft facilities as at 31 March 2007 and the overdraft facilities were expired during the year.
- (c) The Group's bank loans are secured by:
- (i) mortgage over the Group's prepaid land lease premium and buildings situated in Hong Kong, which had an aggregate carrying value at the balance sheet date of approximately HK\$51,502,000 (2007: HK\$4,155,000) (*note 16*) and HK\$19,956,000 (2007: HK\$1,038,000) (*note 14*), respectively;
 - (ii) mortgages over the Group's investment properties situated in Hong Kong, which had an aggregate carrying value at the balance sheet date of approximately HK\$100,779,000 (2007: HK\$62,540,000); and
 - (iii) a corporate guarantee given by the Company up to HK\$101,248,000 (2007: HK\$50,178,000) as at the balance sheet date.

26. Convertible notes**2007**

Pursuant to a placing agreement entered into on 20 November 2006 (the “2006 Placing Agreement”), the Company agreed, through a placing agent, to place zero coupon convertible notes due in 2008 up to an aggregate principal amount of HK\$300,000,000 (the “2006 CNs”), of which convertible notes in the principal amount of HK\$100,000,000 shall be placed on a fully underwritten basis and convertible notes in the principal amount of HK\$200,000,000 shall be placed on a best effort basis.

The 2006 CNs were unsecured, interest-free and were due for repayment at 115% of the outstanding principal amount eighteen months following the date of issue of the 2006 CNs. The 2006 CNs were convertible into ordinary shares of the Company at any time from the date of issue of the 2006 CNs up to 7 days prior to (and excluding) the maturity date at the initial conversion price of HK\$0.25 per share (subject to adjustment). If the closing price for each trading day during a consecutive 30 trading days period was equal to or in excess of 150% of the initial conversion price (subject to adjustment) (that is, HK\$0.375), all the then outstanding 2006 CNs would be deemed to be converted at the then prevailing conversion price.

The 2006 CNs, if fully subscribed for and issued, would be convertible into a total of 1,200,000,000 new ordinary shares of the Company at the initial conversion price of HK\$0.25 per share (subject to adjustment). On 12 January 2007, the placing of the 2006 CNs in the principal amount of HK\$100,000,000 on a fully underwritten basis were subscribed for and issued. On 21 February 2007, the 2006 Placing Agreement was terminated. As such, the placing of the 2006 CNs in the principal amount of HK\$200,000,000 on a best effort basis was withdrawn.

On 6 March 2007, certain noteholders served a notice to the Group to request for the early redemption of the 2006 CNs in the principal amount of HK\$45,000,000 by the Group at 100% of the outstanding principal amount. Pursuant to a board resolution of the Company passed on 7 March 2007, the early redemption of the 2006 CNs in the principal amount of HK\$45,000,000 was approved.

On 22 March 2007, the remaining outstanding 2006 CNs in the principal amount of HK\$55,000,000 were converted into a total of 226,337,447 new ordinary shares of the Company at an adjusted conversion price of HK\$0.243 per share (adjusted as a result of the placement of 346,000,000 new ordinary shares by the Company on 8 March 2007 – *note 28(e)*).

2008

Pursuant to a placing agreement entered into on 11 July 2007 (the “2007 Placing Agreement”), the Company agreed, through a placing agent, to place zero coupon convertible notes due in 2011 up to an aggregate principal amount of HK\$1,500,000,000 (the “2007 CNs”), of which convertible notes in the principal amount of HK\$250,000,000 shall be placed on a fully underwritten basis and convertible notes in the principal amount of HK\$1,250,000,000 shall be placed on a best effort basis.

The 2007 CNs were unsecured, interest-free and were due for repayment at 100% of the outstanding principal amount on 31 March 2011. The 2007 CNs were convertible into ordinary shares of the Company at any time from the date of issue of the 2007 CNs up to 7 days prior to (and excluding) the maturity date at a conversion price of HK\$0.12 per share (subject to adjustment).

The 2007 CNs, if fully subscribed for and issued, would be convertible into a total of 12,500,000,000 new ordinary shares of the Company at the conversion price of HK\$0.12 per share (subject to adjustment). On 12 October 2007, the placing of the 2007 CNs in the principal amount of HK\$250,000,000 on a fully underwritten basis were subscribed for and issued. On 3 December 2007, the 2007 Placing Agreement was terminated. As such, the placing of the 2007 CNs in the principal amount of HK\$1,250,000,000 on a best effort basis was withdrawn.

In October 2007, the outstanding 2007 CNs in the principal amount of HK\$195,000,000 were converted into a total of 1,625,000,000 new ordinary shares of the Company (*note 28(1)*).

On 5 March 2008, one of the noteholders served a notice to the Group to request for the early redemption of the 2007 CNs in the principal amount of HK\$5,000,000 by the Group at 100% of the outstanding principal amount. Pursuant to a board resolution of the Company passed on 6 March 2008, the early redemption of the 2007 CNs in the principal amount of HK\$5,000,000 was approved.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar note without a conversion option. The residual amount was assigned as the equity component and was included in shareholders' equity.

The convertible notes have been split as to the liability and equity components, as follows:

	Group and Company		
	Liability component	Equity component	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 April 2006	–	–	–
Upon issuance	91,975	8,025	100,000
Less: Direct transaction costs	<u>(2,806)</u>	<u>(245)</u>	<u>(3,051)</u>
	89,169	7,780	96,949
Redemption during the year	(41,165)	(3,501)	(44,666)
Conversion during the year	(50,642)	(4,279)	(54,921)
Interest expense	<u>2,638</u>	<u>–</u>	<u>2,638</u>
At 31 March 2007 and 1 April 2007	–	–	–
Upon issuance	152,456	97,544	250,000
Less: Direct transaction costs	<u>(4,021)</u>	<u>(2,573)</u>	<u>(6,594)</u>
	148,435	94,971	243,406
Conversion during the year	(116,231)	(74,078)	(190,309)
Redemption during the year	(3,153)	(1,899)	(5,052)
Interest expense	<u>2,802</u>	<u>–</u>	<u>2,802</u>
At 31 March 2008	<u><u>31,853</u></u>	<u><u>18,994</u></u>	<u><u>50,847</u></u>

Subsequent to the balance sheet date, the remaining outstanding 2007 CNs in the principal amount of HK\$50,000,000 were redeemed by the Company pursuant to a board resolution of the Company passed on 20 June 2008.

27. Deferred tax liabilities

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

Group

	Revaluation of properties	
	2008	2007
	HK\$'000	HK\$'000
At beginning of year	456	–
Deferred tax charged to the income statement during the year (<i>note 10</i>)	2,618	456
Disposal of a subsidiary (<i>note 31(b)</i>)	(333)	–
At 31 March	<u>2,741</u>	<u>456</u>

There was no significant unrecognised deferred tax liability in respect of the year or as at the balance sheet date (2007: Nil).

At 31 March 2008, the Group had tax losses arising in Hong Kong of approximately HK\$531,872,000 (2007: HK\$121,546,000), subject to the agreement by the Hong Kong Inland Revenue Department, that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in companies that have been loss-making for some time or due to the unpredictability of future profit streams of those companies, and accordingly, it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

28. Share capital

	Company	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Authorised:</i>		
50,000,000,000 (2007: 10,000,000,000)		
ordinary shares of HK\$0.10 each	<u>5,000,000</u>	<u>1,000,000</u>
<i>Issued and fully paid:</i>		
8,144,312,470 (2007: 2,473,976,649)		
ordinary shares of HK\$0.10 each	<u>814,431</u>	<u>247,397</u>

A summary of the movements of the Company's issued capital and share premium account is as follows:

	Number of	Issued	Share	Total
<i>Notes</i>	shares in issue	capital	premium	account
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 April 2006	677,056,202	135,411	348,574	483,985
Placement of new shares (a)	600,000,000	120,000	–	120,000
Issue of consideration shares (b)	55,000,000	11,000	–	11,000
Capital reorganisation (c)	–	(133,206)	(327,552)	(460,758)
Issue of consideration shares (d)	200,000,000	20,000	33,000	53,000
Placement of new shares (e)	412,000,000	41,200	9,900	51,100
Conversion of convertible notes (f)	226,337,447	22,634	32,287	54,921
Share options exercised (g)	303,580,000	30,358	16,739	47,097
Share issue expenses	–	–	(3,854)	(3,854)
At 31 March 2007 and 1 April 2007	2,473,973,649	247,397	109,094	356,491
Placement of new shares (h)	2,234,552,000	223,455	103,917	327,372
Rights issue (i)	1,563,986,824	156,399	31,280	187,679
Repurchase of shares (k)	(3)	–	–	–
Conversion of convertible notes (l)	1,625,000,000	162,500	27,809	190,309
Share options exercised (m)	246,800,000	24,680	14,046	38,726
Share issue expenses	–	–	(12,503)	(12,503)
At 31 March 2008	<u>8,144,312,470</u>	<u>814,431</u>	<u>273,643</u>	<u>1,088,074</u>

Notes:

- (a) On 24 April 2006 and 22 May 2006, the Company allotted and issued 300,000,000 and 300,000,000 ordinary shares of HK\$0.20 each for cash to independent third parties at a price of HK\$0.20 per share, respectively.
- (b) On 8 June 2006, a sale and purchase agreement was entered into with an independent third party to acquire an additional 53,800,000 ordinary shares of HCGL for a consideration of HK\$11,000,000, which was settled by the issuance of 55,000,000 new ordinary shares of the Company of HK\$0.20 each at HK\$0.20 per share.
- (c) The Company effected a capital reorganisation on 22 August 2006 which involved: (i) a reduction of the nominal value of each issued ordinary share of the Company from HK\$0.20 to HK\$0.10 each by the cancellation of HK\$0.10 of the paid-up capital for each issued ordinary share; (ii) the cancellation of the credit arising from such reduction towards the accumulated losses of the Company in the amount of HK\$133,205,620; and (iii) the cancellation of the then existing authorised and unissued ordinary shares of 8,667,943,798 and a subsequent increase of the authorised share capital of the Company by the creation of the same number of ordinary shares of HK\$0.10 each.
- (d) On 18 October 2006, a sale and purchase agreement was entered into with an independent third party to acquire 100% equity interest in Freeman Investment Services Limited (formerly Cinergy Holdings Limited) and its subsidiaries (the “FIS Group”) for a consideration of HK\$53,000,000, which was settled by the issuance of 200,000,000 new ordinary shares of the Company of HK\$0.10 each at HK\$0.265 per share.
- (e) On 9 November 2006 and 8 March 2007, the Company allotted and issued 66,000,000 and 346,000,000 ordinary shares of HK\$0.10 each for cash to independent third parties at a price of HK\$0.25 and HK\$0.10 per share, respectively.
- (f) During the year ended 31 March 2007, 226,337,447 new ordinary shares of HK\$0.10 each of the Company were issued upon the conversion of the 2006 CNs with principal amount totalling HK\$55,000,000 issued by the Company as further detailed in note 26 to the financial statements.
- (g) During the year ended 31 March 2007, the subscription rights attaching to 303,580,000 share options granted to certain employees and consultants were exercised at subscription prices ranging from HK\$0.124 to HK\$0.155 per share (*note 29*), resulting in the issue of 303,580,000 new ordinary shares of the Company of HK\$0.10 each for a total cash consideration, before expenses, of approximately HK\$41,785,000.
- (h) On 19 April 2007, 31 May 2007 and 10 July 2007, the Company allotted and issued 654,000,000, 494,000,000 and 1,086,552,000 ordinary shares of HK\$0.10 each for cash to independent third parties at a price of HK\$0.10, HK\$0.13 and HK\$0.182 per share, respectively.

- (i) A rights issue of one rights share for every two existing shares held by members on the register of members on 20 April 2007 was made at an issue price of HK\$0.12 per rights share, resulting in the issue of 1,563,986,824 ordinary shares of HK\$0.10 each for a total cash consideration, before expenses, of HK\$187,679,000.
- (j) Pursuant to an ordinary resolution passed on 6 July 2007, the authorised share capital of the Company was increased from HK\$1,000,000,000 (divided into 10,000,000,000 shares of HK\$0.10) each to HK\$5,000,000,000 (divided into 50,000,000,000 ordinary shares of HK\$0.10) each by the creation of additional 40,000,000,000 ordinary shares, ranking *pari passu* in all respects with the existing share capital of the Company.
- (k) On 27 February 2008, the Company repurchased three ordinary shares of HK\$0.10 each on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) at HK\$0.04 per share. The repurchased shares were cancelled and accordingly, the issued share capital of the Company was reduced by the nominal value of these shares. The difference between the issued capital purchased and the value of cash consideration paid was credited to the capital redemption reserve of the Company.
- (l) During the year ended 31 March 2008, 1,625,000,000 new ordinary shares of HK\$0.10 each of the Company were issued upon the conversion of the 2007 CNs with principal amount totalling HK\$195,000,000 issued by the Company as further detailed in note 26 to the financial statements.
- (m) During the year ended 31 March 2008, the subscription rights attaching to 246,800,000 share options granted to certain employees and advisors were exercised at a subscription price of HK\$0.142 per share (*note 29*), resulting in the issue of 246,800,000 new ordinary shares of the Company of HK\$0.10 each for a total cash consideration, before expenses, of approximately HK\$35,046,000.

29. Share option scheme

The share option scheme of the Company was approved and adopted by the shareholders of the extraordinary general meeting held on 23 August 2002 (the “2002 Scheme”). The 2002 Scheme shall be valid and effective for a period of 10 years commencing from 23 August 2002 (the “Adoption Date”). The primary purpose of the 2002 Scheme is to provide participants with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole.

The categories of the participants under the 2002 Scheme are any directors (including executive directors, non-executive directors and independent non-executive directors) of the Company and its subsidiaries and employees of the Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters, service providers to the Group who the board of directors of the Company (the “Board”) considers, in its sole discretion, have contributed or will contribute to the Group.

The Board may, at its absolute discretion, make an offer to any participant to take up share options. An offer is deemed to have been accepted and a share option is deemed to have been granted and accepted and shall take effect when the duplicate of the offer letter comprising acceptance of the offer duly signed by the grantee and the remittance of HK\$1 by way of consideration for the grant thereof is received by the Company. Share options granted may be exercised during the period as notified by the Board to each grantee at the time of making the offer and shall be at any time from the date of grant to the tenth anniversary thereof.

The total number of shares which may be issued upon exercise of all share options granted under the 2002 Scheme and other share option scheme(s) of the Company (excluding share options lapsed) must not exceed 311,612,404 shares, being approximately 10% of the total number of the Company’s shares in issue on the Adoption Date, except with prior approvals from the Company’s shareholders. The maximum number of shares in respect of which share options may be granted to a specifically identified single grantee under the 2002 Scheme shall not (when aggregated with any shares subject to any other share option scheme(s) of the Company) in any 12-month period exceed 1% of the Company’s shares in issue. Any further grant of share options in excess of this limited is subject to shareholders’ approval in advance in a general meeting.

The subscription price for shares on the exercise of share options under the 2002 Scheme shall be determined by the Board in its absolute discretion but in any event shall not be less than the greatest of: (i) the closing price of the Company’s shares as stated in the daily quotations sheets issued by the Stock Exchange on the date on which a share option is granted; (ii) the average closing price of the Company’s share as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date on which a share option is granted; and (iii) the nominal value of the Company’s shares.

The 2002 Scheme will expire on 22 August 2012.

The following share options were outstanding under the 2002 Scheme during the year:

2007

Name or category of participant	Number of share options**					Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK\$ per share	Price of the Company's shares***			
	At 1 April 2006	Granted during the year	Exercised during the year	Cancelled during the year	At 31 March 2007				At grant date of share	Immediately before the exercise date	At exercise date of share	
	'000	'000	'000	'000	'000				HK\$ per share	HK\$ per share	HK\$ per share	HK\$ per share
Directors												
Mr. Kwong Wai Tim, William	1,500	-	-	-	1,500	16-01-2004	16-01-2004 to 15-01-2009	1.2	1.06	N/A	N/A	
Mr. Lai Ming Wai	1,500	-	-	(1,500)	-	16-01-2004	16-01-2004 to 15-01-2009	1.2	1.06	N/A	N/A	
	<u>3,000</u>	<u>-</u>	<u>-</u>	<u>(1,500)</u>	<u>1,500</u>							
Employees												
In aggregate	-	580	(580)	-	-	25-08-2006	25-08-2006 to 24-08-2011	0.155	0.143	0.157	0.144	
	-	100,000	(100,000)	-	-	08-09-2006	08-09-2006 to 07-09-2011	0.155	0.143	0.21-0.28	0.260-0.265	
	<u>-</u>	<u>100,580</u>	<u>(100,580)</u>	<u>-</u>	<u>-</u>							
Consultants												
In aggregate	-	33,000	(33,000)	-	-	08-09-2006	08-09-2006 to 07-09-2011	0.155	0.143	0.26	0.265	
	-	170,000	(170,000)	-	-	14-02-2007	14-02-2007 to 13-02-2012	0.124	0.119	0.119	0.115	
	<u>-</u>	<u>203,000</u>	<u>(203,000)</u>	<u>-</u>	<u>-</u>							
	<u>3,000</u>	<u>303,580</u>	<u>(303,580)</u>	<u>(1,500)</u>	<u>1,500</u>							

2008

Name or category of participant	Number of share options**					Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK\$ per share	Price of the Company's shares***			
	At	Granted	Exercised	Cancelled	At				At grant	Immediately	At exercise	
	1 April 2007 '000	during the year '000	during the year '000	during the year '000	31 March 2008 '000				date of share options HK\$ per share	before the exercise date HK\$ per share	date of share options HK\$ per share	
Directors												
Mr. Kwong Wai Tim, William	1,500	-	-	(1,500)	-	16-01-2004	16-01-2004 to 15-01-2009	1.2	1.06	N/A	N/A	
Employees												
In aggregate	-	167,800	(167,800)	-	-	11-05-2007	11-05-2007 to 10-05-2012	0.142	0.142	0.142	0.142	
	-	540,000	-	-	540,000	20-11-2007	20-11-2007 to 19-11-2012	0.1	0.09	N/A	N/A	
	-	707,800	(167,800)	-	540,000							
Advisors												
In aggregate	-	79,000	(79,000)	-	-	11-05-2007	11-05-2007 to 10-05-2012	0.142	0.142	0.142	0.142	
	1,500	786,800	(246,800)	(1,500) [#]	540,000							

* The vesting period of the share options is from the date of the grant until the commencement of the exercise period.

** The exercise price and the number of the share options are subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

*** The price of the Company's shares disclosed as at the date of grant of the share options is the Stock Exchange closing price on the trading day on which the options were granted.

The share options were surrendered and cancelled in April 2007.

The fair value of the share options granted during the year was HK\$11,210,000 (2007: HK\$5,312,000) of which HK\$10,032,000 (2007: HK\$2,336,000) (note 6) related to the employees of the Group and HK\$1,178,000 (2007: HK\$2,976,000) (note 6) related to share-based payment to investment advisors for the provision of investment advisory services, were recognised in the consolidated income statement during the year ended 31 March 2008.

The fair value of equity-settled share options granted during the year was estimated as at the date of grant, using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the year ended 31 March 2008:

Dividend yield (%)	–
Expected volatility (%)	63.37 – 66.89
Historical volatility (%)	63.37 – 66.89
Risk-free interest rate (%)	1.19 – 3.755
Expected life of option (<i>year</i>)	0.17 – 0.5
Weighted average share price (<i>HK\$</i>)	0.1 – 0.142

The expected life of the options is based on the historical data over the past one year and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

At the date of approval of these financial statements, the Company had 540,000,000 share options outstanding under the 2002 Scheme, which represented approximately 6.6% of the Company's shares in issue as at that date.

30. Reserves

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

(b) Company

	Notes	Equity			Reserves					Total HK\$'000
		Share premium account	component of convertible notes	Capital redemption reserve	Contributed surplus	Distributable reserve	Shareholder's contribution	Share option reserve	Accumulated losses	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 April 2006		348,574	-	485	39,521	595,191	-	-	(622,472)	361,299
Issue of convertible notes	26	-	7,780	-	-	-	-	-	-	7,780
Redemption of convertible notes	26	-	(3,501)	-	-	-	-	-	1,025	(2,476)
Conversion of convertible notes	26, 28(f)	32,287	(4,279)	-	-	-	-	-	-	28,008
Capital reorganisation	28(c)	(327,552)	-	-	-	-	-	-	460,758	133,206
Capital contribution from the then shareholder upon acquisition of subsidiaries		-	-	-	-	-	15,000	-	-	15,000
Issue of consideration shares	28(d)	33,000	-	-	-	-	-	-	-	33,000
Placement of new shares	28(e)	9,900	-	-	-	-	-	-	-	9,900
Equity-settled share option arrangements		-	-	-	-	-	-	5,312	-	5,312
Exercise of share options	28(g)	16,739	-	-	-	-	-	(5,312)	-	11,427
Share issue expenses	28	(3,854)	-	-	-	-	-	-	-	(3,854)
Loss for the year		-	-	-	-	-	-	-	(257,210)	(257,210)
At 31 March 2007		<u>109,094</u>	<u>-</u>	<u>485</u>	<u>39,521</u>	<u>595,191</u>	<u>15,000</u>	<u>-</u>	<u>(417,899)</u>	<u>341,392</u>
At 31 March 2007 and 1 April 2007		109,094	-	485	39,521	595,191	15,000	-	(417,899)	341,392
Issue of convertible notes	26	-	94,971	-	-	-	-	-	-	94,971
Conversion of convertible notes	26, 28(f)	27,809	(74,078)	-	-	-	-	-	-	(46,269)
Redemption of convertible notes	26	-	(1,899)	-	-	-	-	-	339	(1,560)
Placement of new shares	28(h)	103,917	-	-	-	-	-	-	-	103,917
Rights issue	28(i)	31,280	-	-	-	-	-	-	-	31,280
Equity-settled share option arrangements		-	-	-	-	-	-	11,210	-	11,210
Exercise of share options	28(m)	14,046	-	-	-	-	-	(3,680)	-	10,366
Share issue expenses	28	(12,503)	-	-	-	-	-	-	-	(12,503)
Loss for the year		-	-	-	-	-	-	-	(413,529)	(413,529)
At 31 March 2008		<u>273,643</u>	<u>18,994</u>	<u>485</u>	<u>39,521</u>	<u>595,191</u>	<u>15,000</u>	<u>7,530</u>	<u>(831,089)</u>	<u>119,275</u>

The Company's contributed surplus represents the difference between the nominal value of the share capital issued by the Company and the underlying net tangible asset value net of pre-acquisition dividends and realised pre-acquisition investment property revaluation reserve of subsidiaries which were acquired by the Company pursuant to the group reorganisation in 1992.

The distributable reserve of the Group and the Company represents the aggregate of the credit arising from (i) the reduction in the nominal value of the shares from HK\$0.10 each to HK\$0.002 each by cancelling HK\$0.098 paid up on each issued share and the cancellation of share premium account as at 31 October 1998, after a transfer of HK\$607,193,000 towards the elimination of the accumulated losses of the Company at 31 October 1998; and (ii) the capital reduction during the year ended 31 March 2002.

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payment transactions in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised or be transferred to accumulated losses should the related options expire or be forfeited.

31. Notes to the consolidated cash flow statement

(a) Acquisition of subsidiaries

On 4 May 2006, the Group acquired 100% interest in Startech Business Limited, which is principally engaged in property holding, at a cash consideration of HK\$3,882,000. On 14 November 2006, the Group acquired 100% interest in the FIS Group, which is principally engaged in general and life insurance brokerage business. Further details of the transaction are included in note 28(d) to the financial statements.

	2008 HK\$'000	2007 HK\$'000
Net assets acquired:		
Property, plant and equipment <i>(note 14)</i>	–	322
Investment property <i>(note 15)</i>	–	9,033
Available-for-sale investment	–	7,000
Trade receivables	–	6,405
Prepayments, deposits and other receivables	–	2,236
Cash and bank balances	–	15,920
Bank overdrafts	–	(29)
Trade payables	–	(974)
Interest-bearing bank and other borrowings	–	(24,637)
Other payables and accruals	–	(7,520)
	–	7,756
Goodwill on acquisition <i>(note 17)</i>	–	56,179
	<u>–</u>	<u>63,935</u>
Satisfied by:		
Cash	–	10,935
Issue of shares <i>(note 28(d))</i>	–	53,000
	<u>–</u>	<u>63,935</u>

An analysis of the net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries is as follows:

	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash consideration	–	(10,935)
Cash and bank balances acquired	–	15,920
Bank overdrafts	–	(29)
	<hr/>	<hr/>
Net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries	<u>–</u>	<u>4,956</u>

The subsidiaries acquired in the prior year contributed HK\$2,257,000 to the Group's consolidated turnover and a net loss after tax of HK\$1,653,000 to the Group's consolidated loss after tax for that year.

Had the combination taken place at the beginning of that year, the revenue from continuing operations of the Group and the loss after tax of the Group for that year would have been HK\$9,198,000 and HK\$10,095,000, respectively.

(b) Disposal of subsidiaries

	Notes	2008		2007	
		Subsidiary of continuing operations HK\$'000	Subsidiaries of continuing operations HK\$'000	Subsidiaries of discontinued operation HK\$'000	Total HK\$'000
Net assets disposed of:					
Property, plant and equipment	14	53	–	–	–
Investment property	15	11,500	2,200	–	2,200
Available-for-sale investment		–	12,870	–	12,870
Prepayments, deposits and other receivables		–	127	72,235	72,362
Cash and bank balances		1	–	2	2
Other payables and accruals		(39)	(685)	(39)	(724)
Interest-bearing bank borrowings		(4,975)	–	–	–
Deferred tax liabilities	27	(333)	–	–	–
Exchange fluctuation reserve		–	–	(4,034)	(4,034)
		6,207	14,512	68,164	82,676
Gain/(loss) on disposal of subsidiaries, net	6, 12	(212)	(7,564)	59,836	52,272
		5,995	6,948	128,000	134,948
Satisfied by cash		5,995	6,948	128,000	134,948

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2008		2007	
	Subsidiary of continuing operations HK\$'000	Subsidiaries of continuing operations HK\$'000	Subsidiaries of discontinued operation HK\$'000	Total HK\$'000
Cash consideration	5,995	6,948	128,000	134,948
Cash and bank balances disposed of	(1)	–	(2)	(2)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	5,994	6,948	127,998	134,946

(c) *Major non-cash transactions*

- (i) As detailed in note 28(b) to the financial statements, the Group's acquisition for additional ordinary shares of HCGL at a consideration of HK\$11,000,000 was satisfied by the issuance of 55,000,000 new ordinary shares of the Company of HK\$0.20 each in last year.
- (ii) As detailed in note 28(d) to the financial statements, the Group's acquisition for 100% equity interest in the FIS Group at a consideration of HK\$53,000,000 was satisfied by the issuance of 200,000,000 new ordinary shares of the Company of HK\$0.10 each in last year.
- (iii) On 6 February 2007, the Group exercised its conversion rights attached to the HK\$131,000,000 HCGL convertible notes and converted them into 873,333,333 new ordinary shares of HCGL of US\$0.01 each at a conversion price of HK\$0.15 per share. Upon the conversion of the HCGL convertible notes, the Group's shareholding in HCGL increased to 48.96%, which was treated as an associate of the Group as at 31 March 2007.
- (iv) As detailed in notes 26 and 28(f) to the financial statements, the 2006 CNs in the principal amount of HK\$55,000,000 were converted into 226,337,447 new ordinary shares of the Company.
- (v) As detailed in notes 26 and 28(l) to the financial statements, the 2007 CNs in the principal amount of HK\$195,000,000 were converted into 1,625,000,000 new ordinary shares of the Company.

32. Pledge of assets

Details of the Group's interest-bearing bank and other borrowings, which are secured by the assets of the Group, are included in notes 14, 15, 16 and 25 to the financial statements.

33. Operating lease arrangements**(a) As lessor**

The Group leases its investment properties (*note 15*) under operating lease arrangements, with leases negotiated for terms ranging from one to two years.

At 31 March 2008, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	1,950	1,427
In the second to fifth years, inclusive	<u>448</u>	<u>466</u>
	<u><u>2,398</u></u>	<u><u>1,893</u></u>

(b) As lessee

The Group leases a staff quarter under an operating lease arrangement. The lease for the property is negotiated for a term of two years.

At 31 March 2008, the Group had total future minimum lease payments under the non-cancellable operating lease falling due as follows:

	Group	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	731	442
In the second to fifth years, inclusive	<u>93</u>	<u>18</u>
	<u><u>824</u></u>	<u><u>460</u></u>

34. Commitments

In addition to the operating lease commitments detailed in note 33(b) above, the Group had the following capital commitments at the balance sheet date:

	Group	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contracted but not provided for investment properties	—	6,618

35. Contingent liabilities

At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	Group		Company	
	2008	2007	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Guarantees given to banks in connection with facilities granted to subsidiaries	—	—	101,248	53,171

As at 31 March 2008, the banking facilities granted to certain subsidiaries subject to guarantees given to the banks by the Company were utilised to the extent of approximately HK\$97,781,000 (2007: HK\$43,073,000).

36. Related party transactions

- (a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with a related party:

		Group	
	<i>Notes</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
An associate:			
Loan interest income	<i>(i)</i>	1,031	755
Commission expenses for brokerage services	<i>(ii)</i>	<u>385</u>	<u>806</u>

Notes:

- (i) The loan interest income arose from a loan granted to an associate in the prior year. The loan was unsecured, bore interest at 1% over the Prime Rate per annum and was fully settled during the year.
- (ii) The commission expenses were charged to the Group for brokerage services provided by the associate based on 0.22% of the transaction value and was settled in the Group's margin account with the associate.

- (b) Outstanding balance with a related party:

		Group	
		2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Due from an associate		<u>–</u>	<u>75,822</u>

Except for an amount of HK\$53,108,000 included in loans receivable (*note 21*), the remaining balance was included in prepayments, deposits and other receivables (*note 22*).

(c) Compensation of key management personnel of the Group:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Short term employee benefits	2,762	2,913
Post-employment payments	41	(104)
Total compensation paid to key management personnel	<u>2,803</u>	<u>2,809</u>

Further details of directors' emoluments are included in note 8 to the financial statements.

37. Litigation

On 22 November 2004, Freeman Investment Services Limited (formerly "Cinergy Holdings Limited") ("FIS") and Freeman Financial Investment Limited (formerly "Cinergy Financial Services Limited") ("FIL"), both of which were subsequently acquired by the Group in November 2006 and now being indirectly wholly-owned subsidiaries of the Company, entered into a cooperation agreement ("Co-operation Agreement") with an authorised life insurer and investment adviser (the "Insurer"). FIS agreed to, inter alia, provide agency services to the Insurer and to distribute and sell life and investment linked financial products of the Insurer. On 7 January 2005, FIL entered into a general agency agreement with the Insurer as a general agent of the Insurer.

Under the terms and conditions of the Co-operation Agreement, the Insurer has provided certain special and general loans to FIS which amounted to approximately HK\$9,329,000 and HK\$10,200,000, respectively, as at 31 March 2007. Such loans were the "Other borrowings – unsecured" in an aggregate amount of HK\$19,529,000 included in interest-bearing and other borrowings as detailed in note 25 to the financial statements.

A dispute over the Co-operation Agreement between FIS and FIL with the Insurer arose whereby FIS and FIL claimed, inter alia, the Insurer for the material breach of the terms of the said agreements and the Insurer counterclaimed FIS and FIL, inter alia, for repayment of the loans mentioned above. On 30 May 2006, the parties therein agreed to take the matter to the Hong Kong International Arbitration Centre for final adjudication and arbitration. On 29 October 2007, a deed of settlement was entered into by FIS and FIL with the Insurer and the dispute was settled upon payment of a settlement sum of HK\$6,300,000 by FIS to settle the outstanding loans and related accrued interest in an aggregate amount of HK\$20,845,000. Accordingly, a gain on settlement of the other borrowings of HK\$14,545,000 (*note 5*) was recognised in the current year's consolidated income statement.

38. Financial instruments by category

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:

2008	Group			
<i>Financial assets</i>				
	Financial assets at fair value through profit or loss – held for trading <i>HK\$'000</i>	Loans and receivables <i>HK\$'000</i>	Available- for-sale financial asset <i>HK\$'000</i>	Total <i>HK\$'000</i>
Available-for-sale investment (<i>note 20</i>)	–	–	18,973	18,973
Loans receivable (<i>note 21</i>)	–	254,152	–	254,152
Financial assets included in prepayments, deposits and other receivables	–	3,825	–	3,825
Investments at fair value through profit or loss (<i>note 23</i>)	345,791	–	–	345,791
Cash and bank balances	–	278,649	–	278,649
	<u>345,791</u>	<u>536,626</u>	<u>18,973</u>	<u>901,390</u>

Financial liabilities

	Financial liabilities at amortised cost <i>HK\$'000</i>
Financial liabilities included in other payables and accruals	2,980
Convertible notes (<i>note 26</i>)	31,853
Interest-bearing bank and other borrowings (<i>note 25</i>)	97,781
	<u>132,614</u>

2007

Group

Financial assets

	Financial assets at fair value through profit or loss – held for trading <i>HK\$'000</i>	Loans and receivables <i>HK\$'000</i>	Total <i>HK\$'000</i>
Loans receivable (<i>note 21</i>)	–	295,230	295,230
Financial assets included in prepayments, deposits and other receivables	–	26,234	26,234
Investments at fair value through profit or loss (<i>note 23</i>)	132,006	–	132,006
Cash and bank balances	–	72,626	72,626
	<u>132,006</u>	<u>394,090</u>	<u>526,096</u>

Financial liabilities

	Financial liabilities at amortised cost <i>HK\$'000</i>
Financial liabilities included in other payables and accruals	4,492
Interest-bearing bank and other borrowings (<i>note 25</i>)	<u>62,602</u>
	<u><u>67,094</u></u>

Financial assets

	Company	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loans and receivables:		
Financial assets included in interests in subsidiaries (<i>note 18</i>)	91,256	26,478
Due from subsidiaries	631,669	505,479
Financial assets included in prepayments, deposits and other receivables	20	128
Cash and bank balances	<u>236,711</u>	<u>61,472</u>
	<u><u>959,656</u></u>	<u><u>593,557</u></u>

Financial liabilities

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Financial liabilities at amortised cost:		
Due to subsidiaries	2,438	2,075
Financial liabilities included in other payables and accruals	694	1,367
Convertible notes	31,853	–
	<u>34,985</u>	<u>3,442</u>

39. Financial risk management objectives and policies

The Group's principal financial instruments comprise bank loans, convertible notes, other interest-bearing loans, and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets such as loans receivable, investments at fair value through profit or loss and available-for-sale investment, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk, liquidity risk and equity price risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to its interest-bearing financial assets and liabilities. Interest-bearing financial assets are mainly loans receivable and bank deposits primarily at floating interest rates which are mostly short term in nature whereas financial liabilities are mainly bank borrowings at floating interest rates. The Group's policy is to obtain the most favourable interest rate available.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate bank deposits, loans receivable and borrowings) and the Group's and the Company's equity.

		Group		Company	
	Increase/ (decrease) in basis points	Increase/ (decrease) in loss before tax <i>HK\$'000</i>	Increase/ (decrease) in equity <i>HK\$'000</i>	Increase/ (decrease) in basis points	Increase/ (decrease) in equity <i>HK\$'000</i>
2008					
Hong Kong dollar	25	(1,088)	(1,019)	25	592
Hong Kong dollar	(25)	1,088	1,019	(25)	(592)
2007					
Hong Kong dollar	25	(763)	(662)	25	154
Hong Kong dollar	(25)	763	662	(25)	(154)

Credit risk

The Group's major exposure to the credit risk relates to loans receivable, bank balances, available-for-sale financial asset, investments at fair value through profit or loss, other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. The Group's loans receivable arise from the ordinary course of business of the Group and are closely monitored by the directors on an ongoing basis.

Further quantitative data in respect of the Group's exposure to credit risk arising from loans receivable is disclosed in note 21 to the financial statements.

Liquidity risk

The Group's liquidity risk is minimal in the current year and is managed by matching the raising of loans or equity funding to cover expected cash demands. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long term.

The maturity profile of the financial liabilities as at the balance sheet date, based on the contracted undiscounted payments, was as follows:

Group	2008				
	Within 1 year or on demand	1 to 2 years	3 to 5 years	Over 5 years	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Convertible notes	-	-	50,000	-	50,000
Interest-bearing bank and other borrowings	6,443	7,692	39,346	66,725	120,206
Other payables	2,980	-	-	-	2,980
	<u>9,423</u>	<u>7,692</u>	<u>89,346</u>	<u>66,725</u>	<u>173,186</u>
	2007				
	Within 1 year or on demand	1 to 2 years	3 to 5 years	Over 5 years	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest-bearing bank and other borrowings	28,538	2,708	14,902	37,113	83,261
Other payables	4,492	-	-	-	4,492
	<u>33,030</u>	<u>2,708</u>	<u>14,902</u>	<u>37,113</u>	<u>87,753</u>

Company	2008				
	Within 1 year or on demand	1 to 2 years	3 to 5 years	Over 5 years	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Due to subsidiaries	2,438	–	–	–	2,438
Other payables	694	–	–	–	694
Convertible notes	–	–	50,000	–	50,000
	<u>3,132</u>	<u>–</u>	<u>50,000</u>	<u>–</u>	<u>53,132</u>
	2007				
Within 1 year or on demand	1 to 2 years	3 to 5 years	Over 5 years	Total	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Due to subsidiaries	2,075	–	–	–	2,075
Other payables	1,367	–	–	–	1,367
	<u>3,442</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>3,442</u>

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments classified as trading equity investments (*note 23*) and available-for-sale investment (*note 20*) as at 31 March 2008. The Group's listed investments are listed on the Hong Kong and Singapore stock exchanges and are valued at quoted market prices at the balance sheet date.

The following table demonstrates the sensitivity to every 5% change in the fair values of the equity investments to which the Group has significant exposure at the balance sheet date, with all other variables held constant and before any impact on tax. For the purpose of this analysis, for the available-for-sale investment the impact is deemed to be on the available-for-sale investment revaluation reserve and no account is given for factors such as impairment which might impact on the income statement.

	Carrying amount of investments	Change in loss before tax	Change in equity
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
2008			
Trading investments listed in:			
– Hong Kong	319,879	15,994	15,994
– Singapore	25,912	1,296	1,296
Unlisted investments at fair value:			
Available-for-sale investment	18,793	–	940
2007			
Trading investments listed in:			
– Hong Kong	105,681	5,284	5,284
– Singapore	26,325	1,316	1,316

Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 March 2008 and 31 March 2007.

The Group monitors capital using a gearing ratio, which is interest-bearing bank and other borrowings divided by the adjusted capital, being the liability component of the convertible notes and equity attributable to equity holders of the Company. The gearing ratios as at the balance sheet dates were as follows:

Group

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Interest-bearing bank and other borrowings	<u>97,781</u>	<u>62,602</u>
Convertible notes, the liability component	31,853	–
Equity attributable to the equity holders of the Company	<u>943,309</u>	<u>589,238</u>
Adjusted capital	<u>975,162</u>	<u>589,238</u>
Gearing ratio	<u>10.0%</u>	<u>10.6%</u>

40. Post balance sheet events

Saved as disclosed in note 26 to the financial statements, subsequent to the balance sheet date, the Group had the following significant post balance sheet events:

- (a) On 14 May 2008, the Company effected a capital reorganisation which involved: (i) a reduction of the nominal value of each issued ordinary share of the Company from HK\$0.10 to HK\$0.01 each by the cancellation of HK\$0.09 of the paid up capital for each issued ordinary share; (ii) the cancellation of the credit arising from such reduction towards the accumulated losses of the Company in the amount of approximately HK\$732,988,000 with the balance to be transferred to the distributable reserve of the Company; and (iii) the consolidation of every ten reduced shares of HK\$0.01 each in the capital of the Company into one adjusted share (“Adjusted Share”).

- (b) On 8 July 2008, a rights issue of five rights share for every Adjusted Shares held by members on the register of members on 16 June 2008 was made at an issue price of HK\$0.12 per rights share, resulting in the issue of 4,072,156,000 new ordinary shares of HK\$0.10 each for a total cash consideration, before expenses, of HK\$488,659,000.

41. Fair values of financial assets and liabilities

As at the balance sheet date, the carrying amounts of the Group's financial assets and financial liabilities approximated to their fair values.

42. Comparative amounts

As further explained in notes 5 and 6 to the financial statements, certain comparative amounts have been reclassified to conform with the current year's presentation.

43. Approval of the financial statements

The financial statements were approved and authorised for issue by the board of directors on 25 July 2008.

4. INDEPENDENT AUDITORS' REPORT

The following are the independent auditors' reports of the Company for the three years ended 31 March 2008 as extracted from the respective annual reports of the Company.

(A) Independent Auditors' Report for the Year Ended 31 March 2006

Deloitte.

德勤

**TO THE SHAREHOLDERS OF FREEMAN CORPORATION LIMITED
(FORMERLY KNOWN AS HANSOM EASTERN (HOLDINGS) LIMITED AND
INNER MONGOLIA DEVELOPMENT (HOLDINGS) LIMITED**

(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Freeman Corporation Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") on pages 24 to 71 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Company's directors are responsible for the preparation of consolidated financial statements which give a true and fair view. In preparing consolidated financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Basis of opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants except that the scope of our work was limited as explained below.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the consolidated financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the consolidated financial statements, and of whether the accounting policies are appropriate to the circumstances of the Group, consistently applied and adequately disclosed.

We planned our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the consolidated financial statements are free from material misstatement. However, the evidence available to us was limited as follows. As described in note 23 to the consolidated financial statements, during the year the Group entered into a contract to purchase steel products from a supplier in the People's Republic of China at a fixed price (with an upward price adjustment based on the production costs of the supplier), and placed a deposit of approximately HK\$212,596,000 with the supplier. Subsequent to the conclusion of the contract, the steel price decreased. As such the directors believe that it is currently uneconomical to take delivery of the steel products in terms of the contract and the Group is trying to negotiate with the supplier to amend the trading terms or for a refund of the deposit. The Group has not placed any purchase orders for steel products from this supplier during the year. Subsequent to the balance sheet date the Group entered into an agreement to dispose of 55% of its interest in a group of subsidiaries, whose only significant asset is this deposit, to an independent third party for a consideration of HK\$128,000,000. The completion of this disposal is still subject to the satisfactory completion of legal and financial due diligence on the relevant companies being performed by the purchaser and the approval of the Company's shareholders. As the outcome of the negotiations with the supplier cannot be predicted at this time, the directors are of the opinion that the deposit is significantly impaired, and as such an impairment loss of HK\$84,596,000 has been recognised. This amount was calculated with reference to the proceeds that would be realised on the partial disposal of the subsidiaries referred to above. However we were unable to obtain sufficient audit evidence in respect of the amount of this impairment loss. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves as to whether the amount of the impairment loss recognised is fairly stated. Any adjustments found to be necessary may have an effect on the net assets of the Group as at 31 March 2006 and its loss for the year then ended.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Qualified opinion arising from limitation of audit scope

Except for any adjustments that might have been found to be necessary had we been able to obtain sufficient evidence concerning the impairment loss recognised in respect of the trade deposit paid referred to in the “basis of opinion” section of this report, in our opinion the consolidated financial statements give a true and fair view of the state of the affairs of the Group as at 31 March 2006 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

In respect alone of the limitation on our work relating to the impairment loss recognised in respect of the trade deposit paid referred to above we have not obtained all the information and explanations that we considered necessary for the purposes of our audit.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

27 July 2006

(B) Independent Auditors' Report for the Year Ended 31 March 2007**To the shareholders of Freeman Corporation Limited***(Incorporated in the Cayman Islands with limited liability)*

We have audited the financial statements of Freeman Corporation Limited set out on pages 22 to 90, which comprise the consolidated and company balance sheets as at 31 March 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Except as described in the basis for qualified opinion paragraph, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

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

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

Basis for qualified opinion

Scope limitation – Prior year audit scope limitation affecting opening balances

We were appointed as auditors of the Company for the current year and the consolidated financial statements of the Group for the year ended 31 March 2006 were audited by other auditors (the "Predecessor Auditors"). As further detailed in the auditors' report issued by the Predecessor Auditors dated 27 July 2006 on the consolidated financial statements of the Group for the year ended 31 March 2006, the Predecessor Auditors were unable to obtain sufficient audit evidence in respect of the amount of an impairment loss of HK\$84,596,000 recognised for the year ended 31 March 2006 in respect of a deposit of approximately HK\$212,596,000 (the "Deposit") placed with a supplier, and there were no other satisfactory audit procedures that the Predecessor Auditors could adopt to satisfy themselves as to whether the amount of the impairment loss recognised was fairly stated. Accordingly, the Predecessor

Auditors expressed a qualified opinion on the consolidated financial statements of the Group for the year ended 31 March 2006 arising from such limitation of audit scope. As further detailed in notes 12 and 22 to the financial statements, during the current year, the Group entered into an agreement to dispose of 55% of its interest in a group of subsidiaries (the “Mega Victory Group”), the most significant asset of which is the Deposit, for a cash consideration of HK\$128,000,000 (the “Partial Disposal”) and the directors considered that the Group’s remaining 45% interest in the Mega Victory Group had been fully impaired as at 31 March 2007. Accordingly, a gain on the Partial Disposal and an impairment loss on the Group’s remaining interest thereof, with a net amount of approximately HK\$771,000, was credited/charged to the consolidated income statement for the current year.

Any adjustments to the aforementioned impairment loss recognised for the year ended 31 March 2006 found to be necessary in respect of the scope limitation mentioned above would have a consequential effect on the opening balance of the net assets of the Company and of the Group as at 1 April 2006, the Group’s loss for the year ended 31 March 2007, and the related disclosures in the financial statements.

Qualified opinion arising from limitation of audit scope

In our opinion, except for the effects of any adjustments that might have been determined to be necessary had we been able to obtain sufficient audit evidence relating to the abovementioned impairment loss for the year ended 31 March 2006, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2007 and of the Group’s loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young

Certified Public Accountants

18th Floor

Two International Finance Centre

8 Finance Street, Central

Hong Kong

27 July 2007

(C) Independent Auditors' Report for the Year Ended 31 March 2008

To the shareholders of Freeman Corporation Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the financial statements of Freeman Corporation Limited set out on pages 23 to 107, which comprise the consolidated and company balance sheets as at 31 March 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2008 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young

Certified Public Accountants

18th Floor

Two International Finance Centre

8 Finance Street, Central

Hong Kong

25 July 2008

APPENDIX II ACCOUNTANT'S REPORT OF THE HENNABUN GROUP

The following is the text of a report received from the reporting accountant of the Company, Mazars CPA Limited in respect of the financial information of the Target Group for the purpose of incorporation in this circular.



MAZARS CPA LIMITED

馬賽會計師事務所有限公司
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香港銅鑼灣希慎道33號利園廣場34樓
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30 January 2009

The Directors
Freeman Corporation Limited
8/F., China United Centre,
28 Marble Road,
North Point,
Hong Kong.

Dear Sirs,

We set out below our report on the financial information (the “Financial Information”) of Hennabun Capital Group Limited (the “Target Company”) and its subsidiaries (hereinafter collectively referred to as the “Target Group”) for inclusion in the circular of Freeman Corporation Limited (the “Company”) dated 30 January 2009 (the “Circular”) in connection with the proposed acquisition of the Target Company by the Company. The Financial Information comprises the consolidated balance sheets of the Target Group as at 31 December 2005, 2006 and 2007 and 30 September 2008, and the consolidated income statements, the consolidated statements of changes in equity and the consolidated cash flow statements of the Target Group for each of the three years ended 31 December 2005, 2006 and 2007 and for the nine months ended 30 September 2008 (the “Relevant Periods”), and comparative financial information of Target Group for the nine months ended 30 September 2007 (the “Comparative Financial Information”), and a summary of significant accounting policies and other explanatory notes.

APPENDIX II ACCOUNTANT'S REPORT OF THE HENNABUN GROUP

The Target Company is a limited liability company incorporated in the British Virgin Islands on 6 March 1996 and was principally engaged in investment holding during the Relevant Periods. Particulars of the Target Company's subsidiaries, all of which are directly or indirectly held by the Target Company are as follows:

Name of subsidiary	Place and date of incorporation	Issued and fully paid shares	Attributable equity interest of the Target Group				Principal activities
			30 Sep 2008	31 Dec 2007	31 Dec 2006	31 Dec 2005	
Apex Novel Limited	British Virgin Islands 6 October 2004	US\$1	N/A	N/A	100%	100%	Investment holding
Chung Nam Commodities Limited	Hong Kong 16 June 1981	HK\$15,000,000	100%	100%	100%	100%	Commodities dealer
Chung Nam Finance Limited	Hong Kong 15 September 1992	HK\$600,000,000	100%	100%	100%	100%	Money lending
Chung Nam Holdings Limited	Hong Kong 5 March 1991	HK\$17,200,000	100%	100%	100%	100%	Investment holding
Chung Nam Nominees Limited	Hong Kong 17 March 1992	HK\$10,000	100%	100%	100%	100%	Nominees
Chung Nam Securities Limited	Hong Kong 10 April 1987	HK\$550,000,000	100%	100%	100%	100%	Securities brokerage and financial services
Collier Assets Limited	British Virgin Islands 2 August 2000	US\$1	100%	100%	100%	100%	Investment holding
Collier Hong Kong Limited	Hong Kong 29 February 2008	HK\$1	100%	N/A	N/A	N/A	Inactive
CU Corporate Finance Limited	Hong Kong 20 August 1991	HK\$10,000,000	100%	100%	100%	100%	Investment advisor
CU Investment (Holdings) Limited	Hong Kong 21 November 1995	HK\$4	100%	100%	100%	100%	Investment holding
Evergreen Capital Group Limited	British Virgin Islands 30 March 2004	US\$100	100%	100%	100%	100%	Investment holding
Hennabun Investments Limited	British Virgin Islands 28 April 1998	US\$1	100%	100%	100%	100%	Investment holding
Hennabun PT Limited	British Virgin Islands 10 April 2007	US\$1	100%	100%	N/A	N/A	Proprietary trading
Hero City Trading Limited	British Virgin Islands 8 January 2004	US\$100	100%	100%	100%	100%	Investment holding

APPENDIX II
ACCOUNTANT'S REPORT OF THE HENNABUN GROUP

Name of subsidiary	Place and date of incorporation	Issued and fully paid shares	Attributable equity interest of the Target Group				Principal activities
			30 Sep 2008	31 Dec 2007	31 Dec 2006	31 Dec 2005	
Inno Decision Limited	British Virgin Islands 8 April 2004	US\$100	N/A	N/A	100%	100%	Investment holding
Kam Kwong Investments Limited	Hong Kong 7 March 1995	HK\$10,000	100%	100%	100%	100%	Investment holding
Kowan Investments Limited	Hong Kong 5 September 1991	HK\$27,000,000	100%	100%	100%	100%	Inactive
Quali-Trade Investments Limited	British Virgin Islands 19 March 1993	US\$4,980,000	100%	100%	100%	100%	Investment holding
Radland International Limited	Hong Kong 24 May 1994	HK\$48,400,000	100%	100%	100%	100%	Securities brokerage and financial services
Seekers Advisors Pte. Limited	Singapore 15 January 2008	US\$100,010	100%	N/A	N/A	N/A	Investment advisory
Seekers Capital Management Limited	British Virgin Islands 13 December 1995	US\$101	100%	100%	100%	100%	Investment holding
Seekers Capital Management Limited	Cayman Islands 4 January 2008	US\$1	100%	N/A	N/A	N/A	Fund management
Seekers Capital Management Pte. Limited	Singapore 21 August 2007	US\$100,010	100%	100%	N/A	N/A	Fund management
Seekers Fund	Cayman Islands 20 April 2006	US\$100	100%	100%	100%	N/A	Inactive
Seekers Master Fund	Cayman Islands 7 December 2007	US\$1	100%	100%	N/A	N/A	Inactive
Sky Vision Enterprises Limited	British Virgin Islands 16 November 2007	US\$1	100%	100%	N/A	N/A	Aircraft holding
Sun Chung Nam Finance Limited	Hong Kong 12 December 2003	HK\$1,000,000	100%	100%	100%	100%	Money lending
Uprite Limited	British Virgin Islands 3 July 2007	US\$1	N/A	100%	N/A	N/A	Yacht holding

All of the above subsidiaries are limited liability companies established in their respective place of incorporation and adopted 31 December as the financial year end date.

APPENDIX II ACCOUNTANT'S REPORT OF THE HENNABUN GROUP

The statutory financial statements of the following subsidiaries for the Relevant Periods, or since their respective dates of incorporation, were prepared in accordance with relevant accounting principles and financial regulations applicable to their jurisdictions and were audited by the following certified public accountants registered in that jurisdiction:

Name	Financial period	Name of auditors
Apex Novel Limited (disposed during the year ended 31 December 2007)	For the two years ended 31 December 2006	Moores Rowland Mazars
Chung Nam Commodities Limited	For the two years ended 31 December 2006	Moores Rowland Mazars
	For the year ended 31 December 2007	Mazars CPA Limited
Chung Nam Finance Limited	For the two years ended 31 December 2006	Moores Rowland Mazars
	For the year ended 31 December 2007	Mazars CPA Limited
Chung Nam Holdings Limited	For the two years ended 31 December 2006	Moores Rowland Mazars
	For the year ended 31 December 2007	Mazars CPA Limited
Chung Nam Nominees Limited	For the two years ended 31 December 2006	Moores Rowland Mazars
	For the year ended 31 December 2007	Mazars CPA Limited
Chung Nam Securities Limited	For the two years ended 31 December 2006	Moores Rowland Mazars
	For the year ended 31 December 2007	Mazars CPA Limited

APPENDIX II ACCOUNTANT'S REPORT OF THE HENNABUN GROUP

Name	Financial period	Name of auditors
Collier Assets Limited	For the year ended 31 December 2005	Johnny Chan & Co. Limited
	For the year ended 31 December 2006	Moore Rowland Mazars
	For the year ended 31 December 2007	Mazars CPA Limited
CU Corporate Finance Limited	For the two years ended 31 December 2006	Moore Rowland Mazars
	For the year ended 31 December 2007	Mazars CPA Limited
CU Investment (Holdings) Limited	For the two years ended 31 December 2006	Moore Rowland Mazars
	For the year ended 31 December 2007	Mazars CPA Limited
Hennabun Investments Limited	For the two years ended 31 December 2006	Moore Rowland Mazars
	For the year ended 31 December 2007	Mazars CPA Limited
Hennabun PT Limited	For the period from 10 April 2007 (date of incorporation) to 31 December 2007	Mazars CPA Limited
Kam Kwong Investments Limited	For the two years ended 31 December 2006	Moore Rowland Mazars
	For the year ended 31 December 2007	Mazars CPA Limited

APPENDIX II ACCOUNTANT'S REPORT OF THE HENNABUN GROUP

Name	Financial period	Name of auditors
Kowan Investments Limited	For the two years ended 31 December 2006	Moores Rowland Mazars
	For the year ended 31 December 2007	Mazars CPA Limited
Radland International Limited	For the two years ended 31 December 2006	Moores Rowland Mazars
	For the year ended 31 December 2007	Mazars CPA Limited
Seekers Capital Management Limited (BVI incorporated)	For the two years ended 31 December 2006	Moores Rowland Mazars
	For the year ended 31 December 2007	Mazars CPA Limited
Sky Vision Enterprises Limited	For the period from 16 November 2007 (date of incorporation) to 31 December 2007	Mazars CPA Limited
Sun Chung Nam Finance Limited	For the two years ended 31 December 2006	Moores Rowland Mazars
	For the year ended 31 December 2007	Mazars CPA Limited
Uprite Limited	For the period from 3 July 2007 (date of incorporation) to 31 December 2007	Mazars CPA Limited

APPENDIX II ACCOUNTANT'S REPORT OF THE HENNABUN GROUP

No audited financial statements have been prepared for Evergreen Capital Group Limited, Hero City Trading Limited, Inno Decision Limited, Quali-Trade Investments Limited, Seekers Capital Management Limited (Cayman Islands incorporated), Seekers Fund and Seekers Master Fund as there are no statutory requirements for the entity to prepare audited financial statements. For the purpose of this report, we have, however, reviewed all the relevant transactions of these companies for the Relevant Periods.

No audited financial statements have been prepared for Collier Hong Kong Limited, Seekers Advisors Pte Limited and Seekers Capital Management Pte Limited as they have not carried on any business since their respective dates of incorporation. For the purpose of this report, we have, however, reviewed all the relevant transactions of these companies for the Relevant Periods.

The consolidated financial statements of the Target Group for the years ended 31 December 2005 and 2006 were audited by Moores Rowland Mazars, and for the year ended 31 December 2007 were audited by Mazars CPA Limited. These financial statements were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), which collective term includes all applicable individual HKFRS, Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and accounting principles generally accepted in Hong Kong.

The directors of the Target Company are responsible for preparing the Financial Information and the Comparative Financial Information which give a true and fair view in accordance with HKFRS. In preparing the Financial Information and the Comparative Financial Information of the Target Group which give a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently, that judgements and estimates are made which are prudent and reasonable, and that the reasons for any significant departure/non-applicable accounting standards are stated. It is our responsibility to form an independent opinion and a review conclusion, on such information in respect of the Relevant Periods and for the nine months ended 30 September 2007, respectively, and to report our opinion to you.

Procedures performed in respect of the Relevant Periods

For the purpose of this report, we have examined the audited financial statements of the Target Group for the Relevant Periods and carried out such additional procedures as we considered necessary in accordance with Auditing Guideline No. 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA. No adjustment was made to the underlying financial statements as a result of the procedures performed.

Procedures performed in respect of the Comparative Financial Information

For the purpose of this report, we have performed a review of the Comparative Financial Information which includes the consolidated income statement and consolidated cash flow statement of the Target Group for the nine months ended 30 September 2007, together with the notes thereto, for which the directors of the Target Company are responsible, in accordance with HKSRE 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets and liabilities and transactions. It is substantially less in scope and provides a lower level of assurance than our audit or examination procedures described in the preceding paragraph and, accordingly, we do not express an audit opinion on the Comparative Financial Information.

Opinion in respect of the financial information of the Relevant Periods

In our opinion, the Financial Information of the Target Group, for the purpose of this report, gives a true and fair view of the results and cash flows of the Target Group for the Relevant Periods and of the state of affairs of the Target Group as at 31 December 2005, 2006 and 2007 and 30 September 2008 in accordance with HKFRS.

Without qualifying our opinion we draw attention to note 1 to the Financial Information concerning the adoption of going concern basis on which the consolidated financial statements of the Target Company for the year ended 31 December 2007 have been prepared. At 31 December 2007, the Target Group had net current liabilities of HK\$75,122,154. The validity of the going concern basis depends on the Target Group's future profitable operation and the continuing financial support from a related company, Capital Union Inc., who is the major creditor of the Target Group (*see note 18*). The related company has confirmed in writing their intention to provide continuing financial support to the Target Group. The financial statements do not include any adjustments that would result from a failure to obtain the necessary finance. We consider that appropriate disclosures have been made in this respect.

Review conclusion in respect of the Comparative Financial Information

On the basis of our review, which does not constitute an audit, we are not aware of any material modifications that should be made to the Comparative Financial Information of the Target Group for the nine months ended 30 September 2007.

APPENDIX II ACCOUNTANT'S REPORT OF THE HENNABUN GROUP

I. FINANCIAL INFORMATION

CONSOLIDATED INCOME STATEMENTS

The following is a summary of the consolidated income statements of the Target Group for the Relevant Periods which have been prepared on the basis set out in Section II below.

		Nine months ended		Year ended 31 December		
		30 September		2007	2006	2005
		(Unaudited)				
	<i>Note</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Turnover	2	62,167,125	107,809,964	143,603,740	42,838,400	33,606,239
Other income	3	75,515,316	68,927	114,652	563,250	28,258,334
Gain (Loss) on disposal of interests in subsidiaries		5,793,046	1,764,845	1,765,326	–	(195,481,588)
Allowance for doubtful debts		(48,500,012)	(37,085,521)	(40,032,081)	(73,710,828)	(49,434,997)
Bad debts written off		(283,865)	(850,788)	(917,569)	(6,951,546)	–
Loss on investment	34	–	(55,000,000)	(55,000,000)	–	–
Employee benefits expense		(7,746,819)	(6,099,837)	(8,537,735)	(6,572,606)	(6,450,348)
Depreciation and amortisation expenses		(6,785,666)	(4,309,267)	(5,872,486)	(5,405,484)	(1,984,627)
Other operating expenses		(27,570,031)	(22,287,849)	(36,478,064)	(24,391,117)	(11,929,969)
Realised (loss) gain on disposal of financial assets at fair value through profit or loss		(135,893,385)	(20,437,025)	(32,806,897)	638,396	(6,780,495)
Unrealised holding loss on financial assets at fair value through profit or loss		(14,198,638)	(1,149,615)	(40,492,321)	–	–
Finance costs attributable to provision of financial services	5	(7,175,201)	(12,825,993)	(17,762,369)	(18,106,238)	(6,433,588)
Other finance costs	5	–	–	–	(8,183,013)	(5,935,993)
Loss before taxation	4	(104,678,130)	(50,402,159)	(92,415,804)	(99,280,786)	(222,567,032)
Taxation	6	3,169,997	–	–	(343,609)	–
Loss for the period/year		<u>(101,508,133)</u>	<u>(50,402,159)</u>	<u>(92,415,804)</u>	<u>(99,624,395)</u>	<u>(222,567,032)</u>
Losses per share – basic	7	<u>(0.02)</u>	<u>(0.03)</u>	<u>(0.05)</u>	<u>(0.12)</u>	<u>(0.37)</u>

APPENDIX II ACCOUNTANT'S REPORT OF THE HENNABUN GROUP

CONSOLIDATED BALANCE SHEETS

The following is a summary of the consolidated balance sheets of the Target Group as at the end of each of the Relevant Periods which have been prepared on the basis set out in Section II below.

		At 30 September	At 31 December		
	Note	2008 HK\$	2007 HK\$	2006 HK\$	2005 HK\$
Non-current assets					
Property, plant and equipment	9	17,756,565	99,820,113	91,512,191	87,979,796
Intangible assets	10	2,743,334	2,743,334	2,743,334	2,283,334
Deposits for acquisition of property, plant and equipment		44,574,000	39,030,000	–	–
Other non-current assets	11	2,020,000	2,150,000	2,110,000	2,140,000
Other investments	12	74,247,501	1	1	1
		141,341,400	143,743,448	96,365,526	92,403,131
Current assets					
Financial assets at fair value					
through profit or loss	13	45,518,457	84,429,661	874,400	67,800
Loans receivable	14	–	301,841,868	148,619,385	45,534,363
Trade and other receivables	15	215,296,579	508,813,821	138,074,771	228,075,264
Deposit for investment project	23	31,240,000	–	–	–
Pledged bank deposits	16	3,000,000	3,000,000	3,000,000	3,000,000
Bank balances and cash	16	123,620,332	175,947,334	43,889,089	71,589,074
		418,675,368	1,074,032,684	334,457,645	348,266,501
Current liabilities					
Trade and other payables	19	40,741,112	226,632,879	32,873,851	59,786,727
Due to a director	17	–	20,982,350	–	14,000,000
Due to a related company	18	61,163,041	683,555,293	998,485	998,485
Bank overdrafts	21	28,371,315	8,186,180	24,792,208	21,424,791
Interest-bearing borrowings	22	118,000,000	205,000,000	177,679,931	146,000,000
Taxation		1,628,139	4,798,136	4,798,136	4,798,136
		249,903,607	1,149,154,838	241,142,611	247,008,139
Net current assets (liabilities)		168,771,761	(75,122,154)	93,315,034	101,258,362
Total assets less current liabilities		310,113,161	68,621,294	189,680,560	193,661,493

APPENDIX II ACCOUNTANT'S REPORT OF THE HENNABUN GROUP

CONSOLIDATED BALANCE SHEETS

		At		At 31 December	
		30 September		2006	2005
		2008	2007	2006	2005
<i>Note</i>		<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Non-current liabilities					
Interest-bearing borrowings	22	–	–	45,643,462	–
Convertible notes	24	–	–	131,000,000	131,000,000
		–	–	176,643,462	131,000,000
NET ASSETS		310,113,161	68,621,294	13,037,098	62,661,493
Capital and reserves					
Share capital	26	418,412,800	149,312,800	67,932,800	48,432,800
Reserves	27	(108,299,639)	(80,691,506)	(54,895,702)	14,228,693
TOTAL EQUITY		310,113,161	68,621,294	13,037,098	62,661,493

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

The movements in the consolidated statements of changes in equity of the Target Group for the Relevant Periods which have been prepared on the basis set out in Section II below are as follows:

	<i>Note</i>	Nine months ended		Year ended 31 December		
		30 September		2007	2006	2005
		2008	2007			
			(Unaudited)			
		<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Opening balance – Total equity		68,621,294	13,037,098	13,037,098	62,661,493	303,228,525
New shares issued	26	343,000,000	17,000,000	17,000,000	50,000,000	17,320,000
Repurchase of shares	26(ii)	–	–	–	–	(40,000,000)
Conversion of convertible notes	26(vi)	–	131,000,000	131,000,000	–	4,680,000
Loss for the period/year		(101,508,133)	(50,402,159)	(92,415,804)	(99,624,395)	(222,567,032)
Closing balance – Total equity		<u>310,113,161</u>	<u>110,634,939</u>	<u>68,621,294</u>	<u>13,037,098</u>	<u>62,661,493</u>

APPENDIX II ACCOUNTANT'S REPORT OF THE HENNABUN GROUP

CONSOLIDATED CASH FLOW STATEMENTS

The consolidated cash flow statements of the Target Group for the Relevant Periods which have been prepared on the basis set in Section II below are as follows:

	Nine months ended		Year ended 31 December		
	30 September		2007	2006	2005
	2008	2007			
	(Unaudited)				
	HK\$	HK\$	HK\$	HK\$	HK\$
OPERATING ACTIVITIES					
Loss before taxation	(104,678,130)	(50,402,159)	(92,415,804)	(99,280,786)	(222,567,032)
Depreciation and amortisation expenses	6,785,666	4,309,267	5,872,486	5,405,484	1,984,627
Interest expenses	7,175,201	12,825,993	17,762,369	26,289,251	12,369,581
Recovery of allowance for bad and doubtful debts	(75,200,000)	–	–	–	(27,266,876)
Allowance for bad and doubtful debts and bad debts written off	48,500,012	37,936,309	40,949,650	80,662,374	49,434,997
(Gain) Loss on disposal of interests in subsidiaries	(5,793,046)	(1,764,845)	(1,765,326)	–	195,481,588
(Gain) Loss on disposal of property, plant and equipment	(5,000)	58,000	58,000	–	–
Realised loss (gain) on disposal of financial assets at fair value through profit or loss	135,893,385	20,437,025	32,806,897	(638,396)	6,780,495
Unrealised holding loss on financial assets at fair value through profit or loss	14,198,638	1,149,615	40,492,321	–	–
Provision for loss on misappropriation of clients' securities	–	2,500,000	2,500,000	–	–
Provision for penalty imposed by the Securities and Futures Commission	–	–	1,500,000	–	–
Changes in working capital:					
Loans, trade and other receivables	533,282,765	(163,267,755)	(564,979,759)	(93,746,903)	(169,724,750)
Trade and other payables	(163,433,149)	184,422,949	143,545,882	(31,326,403)	(2,687,259)
Due to a director	(20,982,350)	20,982,350	20,982,350	(14,000,000)	14,000,000
Cash generated from (used in) operations	375,743,992	69,186,749	(352,690,934)	(126,635,379)	(142,194,629)
Interest paid	(8,511,194)	(17,095,274)	(19,810,321)	(21,875,724)	(6,855,397)
Hong Kong profits tax paid	–	–	–	(343,609)	–
Net cash from (used in) operating activities	367,232,798	52,091,475	(372,501,255)	(148,854,712)	(149,050,026)

CONSOLIDATED CASH FLOW STATEMENTS

	Note	Nine months ended		Year ended 31 December		
		30 September		2007	2006	2005
		2008	2007	2007	2006	2005
			(Unaudited)			
		HK\$	HK\$	HK\$	HK\$	HK\$
INVESTING ACTIVITIES						
Acquisition of subsidiaries	31	-	-	-	-	(49,871,322)
Proceeds from disposal of subsidiaries	32	94,000,000	87,987,034	87,987,514	-	156,280,000
Proceeds from disposal of property, plant and equipment		5,000	300,000	300,000	-	-
Net purchase of financial assets at fair value through profit or loss		(111,180,819)	(21,830,236)	(156,854,479)	(168,204)	(6,570,717)
Purchase of property, plant and equipment and other investments		(87,992,352)	(29,607,227)	(100,254,315)	(9,397,879)	(3,085,305)
Deposits for acquisition of property, plant and equipment and investment project		(36,784,000)	-	(39,030,000)	-	-
Cash refund from (Cash contribution to) Central Clearing and Settlement System Guarantee Fund		130,000	(553,276)	(40,000)	-	-
Contribution in cash to clearing house and exchange		-	-	-	(50,000)	(170,000)
Refund of deposit from clearing house and exchange		-	-	-	80,000	6,408
Net cash (used in) from investing activities		<u>(141,822,171)</u>	<u>36,296,295</u>	<u>(207,891,280)</u>	<u>(9,536,083)</u>	<u>96,589,064</u>
FINANCING ACTIVITIES						
Issue of shares		343,000,000	17,000,000	17,000,000	50,000,000	7,000,000
New loans raised		227,800,000	269,000,000	548,550,000	1,626,132,298	175,000,000
Repayment of loans		(314,800,000)	(417,323,393)	(519,050,000)	(1,548,808,905)	(65,000,000)
Repurchase of shares		-	-	-	-	(20,000,000)
Redemption of convertible notes (Repayment to) Advance from a related company		(553,918,970)	237,727,677	682,556,808	-	-
Net cash (used in) from financing activities		<u>(297,918,970)</u>	<u>106,404,284</u>	<u>729,056,808</u>	<u>127,323,393</u>	<u>71,700,000</u>
Net (decrease) increase in cash and cash equivalents		<u>(72,508,343)</u>	<u>194,792,054</u>	<u>148,664,273</u>	<u>(31,067,402)</u>	<u>19,239,038</u>
Effect on exchange rate changes		(3,794)	-	-	-	-
Cash and cash equivalents at beginning of the period/year		<u>170,761,154</u>	<u>22,096,881</u>	<u>22,096,881</u>	<u>53,164,283</u>	<u>33,925,245</u>
Cash and cash equivalents at end of the period/year	16	<u>98,249,017</u>	<u>216,888,935</u>	<u>170,761,154</u>	<u>22,096,881</u>	<u>53,164,283</u>

II. NOTES TO THE FINANCIAL INFORMATION**Corporate information**

The Target Company is a limited liability company incorporated in the British Virgin Islands. The Target Company's registered office is located at Sea Meadow House, Blackburne Highway, PO Box 116, Road Town, Tortola, British Virgin Islands. The principal place of business is located at 31/F., China United Centre, 28 Marble Road, North Point, Hong Kong. The principal activity of the Target Company is investment holding.

With effect from 20 April 2007, the name of the Target Company was changed from Hennabun Management International Limited to Hennabun Capital Group Limited.

1. Principal accounting policies***Basis of preparation***

The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), which collective term includes all applicable individual HKFRS, Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and accounting principles generally accepted in Hong Kong.

The Target Group had net current liabilities of HK\$75,122,154 as at 31 December 2007. The Financial Information has been prepared in conformity with the principles applicable to a going concern. The applicability of these principles is dependent upon continued availability of adequate finance or attaining profitable operations in the future in view of the excess of current liabilities over current assets as at that date. A related company, who is the major creditor of the Target Group, has confirmed its intention to make available adequate funds to the Target Group as and when required to maintain the Target Group as a going concern.

Application of new and revised Hong Kong financial reporting standards

During the Relevant Periods, the Target Group has applied, for the first time, a number of new standards, amendments and interpretations (“new HKFRS”) issued by HKICPA, which are effective for the Target Group’s financial year beginning on 1 January 2005. The application of the new HKFRS has resulted in a change in the presentation of the consolidated balance sheet, the consolidated income statement, and the consolidated statement of changes in equity. The changes in presentation have been applied retrospectively. The adoption of the new HKFRS that are relevant to the Target Group has had no significant effects on the results and financial position of the Target Group for the current and prior accounting periods, except for certain presentation and disclosures of financial statement items have been revised in the following areas:

Intangible asset

Before 1 January 2005, amortisation is provided to write off the cost of intangible assets on the straight-line basis over their estimated useful lives in accordance with the Statement of Standard Accounting Practice No. 29 “Intangible Assets” issued by the HKICPA. In year 2005, the Target Group has applied HKAS 38 “Intangible Assets”. Intangible assets, having an indefinite useful live, are tested for impairment annually or more frequently when indicator of impairment arises, without amortisation charge.

Related party disclosures

On or after 1 January 2005, HKAS 24 “Related Party Disclosures” has affected the identification of related parties and some other related-party disclosures, including the removal of most of the exemptions that were previously allowed. These disclosures are shown in note 36 to the Financial Information.

Financial Instruments

In year 2005, the Target Group has applied HKAS 32 “Financial Instruments: Disclosure and Presentation” and HKAS 39 “Financial Instruments: Recognition and Measurement”. HKAS 32 requires retrospective application. HKAS 39 generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The application of HKAS 32 has had no material impact on how financial instruments of the Target Group are presented for the Relevant Periods.

Classification and measurement of financial assets and financial liabilities

The Target Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

Before 1 January 2005, the Target Group classified and measured its equity securities in accordance with the alternative treatment of Statement of Standard Accounting Practice No. 24 “Accounting for Investments in Securities” (“SSAP 24”) issued by the HKICPA. Under SSAP 24, investments in equity securities are classified as “trading securities”, “non-trading securities” or “held-to-maturity investments” as appropriate. Both trading securities” and “non-trading securities” are measured at fair value. Unrealised gains or losses of “trading securities” are reported in profit or loss for the period in which gains or losses arise. Unrealised gains or losses of “non-trading securities” are reported in equity until the securities are sold or determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for that period. From 1 January 2005 onwards, the Target Group has classified and measured its equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as “financial assets at fair value through profit or loss”, “available-for-sale financial assets” or “loans and receivables”. “Financial assets at fair value through profit or loss” and “available-for-sale financial assets” are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. “Loans and receivables” are measured at amortised cost using the effective interest method after initial recognition.

On 1 January 2005, the Target Group classified and measured its investments in equity securities in accordance with the transitional provisions of HKAS 39 as financial assets at fair value through profit or loss. The application of these relevant transitional provisions has had no effect on results for the Relevant Periods.

Financial assets and financial liabilities other than equity instruments of the Target Group

From 1 January 2005 onwards, the Target Group has classified and measured its financial assets and financial liabilities other than equity instruments (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. As mentioned above, financial assets under HKAS 39 are classified as “financial assets at fair value through profit or loss”, “available-for-sale financial assets” or “loans and receivables”. Financial liabilities are generally classified as “financial liabilities at fair value through profit or loss” or “other financial liabilities”. “Other financial liabilities” are carried at amortised cost using the effective interest method after initial recognition. This change in accounting policy has had no material effect on the results for the Relevant Periods.

Capital and financial instruments disclosures

From 1 January 2007 onwards, the Target Group has applied the disclosure requirements under HKAS 1 (Amendment) “Capital disclosures” to provide additional disclosures in relation to the Target Company’s objectives, policies and processes for managing capital. These new disclosures are shown in note 38 to the Financial Information. In addition, the Target Group has also applied the disclosure requirements under HKFRS 7 “Financial instruments: Disclosures” to disclose information for the purpose of evaluating the significance of the Target Group’s financial instruments, the nature and risks arising from those financial instruments to which the Target Company is exposed to and how the entity manages them. The disclosures are included throughout the financial information.

At the date of this report, the HKICPA has issued the following standards, amendment and interpretations that are not yet effective in respect of the Relevant Periods. The Target Group has not early applied the following standards, amendment and interpretations that have been issued but are not yet effective.

APPENDIX II ACCOUNTANT'S REPORT OF THE HENNABUN GROUP

HKAS 1 (Revised)	Presentation of Financial Statements ¹
HKAS 23 (Revised)	Borrowing Costs ¹
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ²
HKAS 27 & HKFRS 1 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associates ¹
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligation Arising on Liquidation ¹
HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets ⁶
HKFRS 2 (Amendment)	Share-Based Payment – Vesting Conditions and Cancellations ¹
HKFRS 3 (Revised)	Business Combinations ²
HKFRS 8	Operating Segments ¹
HK(IFRIC) – Int 12	Service Concession Arrangements ³
HK(IFRIC) – Int 13	Customer Loyalty Programmes ⁴
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction ³
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate ¹
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation ⁵

¹ *Effective for annual periods beginning on or after 1 January 2009*

² *Effective for annual periods beginning on or after 1 July 2009*

³ *Effective for annual periods beginning on or after 1 January 2008*

⁴ *Effective for annual periods beginning on or after 1 July 2008*

⁵ *Effective for annual periods beginning on or after 1 October 2008*

⁶ *Effective from 1 July 2008*

The directors anticipate that the application of the above new and revised standards, amendments or interpretations will have no material impact on the results and financial position of the Target Group.

Basis of measurement

The measurement basis used in the preparation of the Financial Information is historical cost, except for financial assets at fair value through profit or loss which are measured at fair value.

Basis of consolidation

The Financial Information incorporates the financial information of the Target Company and entities controlled by the Target Company (its subsidiaries). Control is achieved where the Target Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

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

All intra-group transactions, balances, incomes and expenses are eliminated on consolidation.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to the consolidated income statement during the period/year in which they are incurred.

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment over their estimated useful lives as set out below from the date on which they are available for use and after taking into account their estimated residual values, using the straight-line method, at the following rates per annum:

Leasehold land and buildings	Over the unexpired term of lease
Leasehold improvements	20%
Furniture and fixtures	20%
Office equipment	20%
Motor vehicles	20%
Yacht	10%

Intangible assets

Intangible assets represent the eligibility rights to trade on or through the Stock Exchange of Hong Kong Limited (“SEHK”) and the Hong Kong Futures Exchange Limited (“HKFE”), are regarded to have indefinite useful life and are carried at cost less any accumulated impairment losses.

Intangible assets with indefinite useful lives are tested for impairment annually or more frequently when indicator of impairment arises during the reporting period indicating that the carrying value may not be recoverable.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement when the asset is derecognised.

Other investments

Other investments are long term investments in companies, except for subsidiaries or associates, and artworks which are stated at cost less accumulated impairment losses.

Financial instruments

Financial assets and financial liabilities are recognised when the Target Group becomes a party to the contractual provisions of the instruments and on a trade date basis. A financial asset is derecognised when the Target Group’s contractual rights to future cash flows from the financial asset expire or when the Target Group transfers the contractual rights to future cash flows to a third party. A financial liability is derecognised only when the liability is extinguished.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. They are carried at fair value, with any resultant gain and loss recognised in the consolidated income statement.

Financial assets are classified as held for trading if they are (i) acquired principally for the purpose of selling in the near future; (ii) part of a portfolio of identified financial instruments that the Target Group manages together and has a recent actual pattern of short-term profit-taking; or (iii) derivatives that are not designated and effective hedging instruments.

Loans and receivables

Loans and receivables including loans receivable and trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading. They are measured at amortised cost using the effective interest method, except where receivables are interest-free loans and without any fixed repayment term or the effect of discounting would be insignificant. In such case, the receivables are stated at cost less impairment loss. Amortised cost is calculated by taking into account any discount or premium on acquisition, over the period to maturity. Gains and losses arising from derecognition, impairment or through the amortisation process are recognised in the consolidated income statement.

Impairment of financial assets

At each balance sheet date, the Target Group assesses whether there is objective evidence that financial assets, other than those at fair value through profit or loss, are impaired. The impairment loss of financial assets carried at amortised cost is measured as the difference between the assets' carrying amount and the present value of estimated future cash flow discounted at the financial asset's original effective interest rate. The carrying amount of the financial assets is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in the consolidated income statement. When the loans receivable and trade and other receivables are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to the consolidated income statement.

Financial liabilities

The Target Group's financial liabilities include trade and other payables, amount due to a director, amount due to related parties and interest-bearing borrowing. All financial liabilities except for derivatives are recognised initially at their fair value and subsequently measured at amortised cost, using effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

Convertible loan notes

On the issue of convertible notes, the proceeds are split into liability and equity components. The fair value of the liability component is determined using a market rate for an equivalent non-convertible notes; and this amount, net of transaction costs, is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption.

The remainder of the proceeds is allocated to the conversion option and is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years.

Provisions

Provisions are recognised when the Target Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made. Expenditures for which a provision has been recognised are charged against the related provision in the period/year in which the expenditures are incurred. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount provided is the present value of the expenditures expected to be required to settle the obligation. Where the Target Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Target Group and when the revenue and costs, if applicable, can be measured reliably and on the following bases.

Commission and brokerage income on securities dealings are recognised as revenue on the transaction date when the relevant contract notes are executed.

Consultancy services, underwriting and placing services, guarantee option services and securities handling income are recognised in the period/year when services are rendered.

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

Dividend income from investments is recognised when the Target Group's rights to receive payment have been established.

Impairment of non-financial assets

At each balance sheet date, the Target Group reviews internal and external sources of information to determine whether the carrying amounts of its property, plant and equipment and intangible assets have suffered an impairment loss or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs to sell and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Target Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. a cash-generating unit).

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as expense immediately.

A reversal of impairment loss is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior years. Reversal of impairment losses is recognised as income immediately.

Taxation

The charge for current income tax is based on the results for the period/year as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

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 in the consolidated financial statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss, it is not accounted for.

The deferred tax liabilities and assets are measured at the tax rates that are expected to apply to the period/year when the asset is recovered or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to the consolidated income statement on a straight-line basis over the term of the relevant lease.

Employee benefits***Defined contribution plans***

The obligations for contributions to defined contribution retirement scheme are recognised as an expense in the consolidated income statement as incurred. The assets of the scheme are held separately from those of the Target Group in an independently administered fund.

Long service payment

The Target Group's net obligation in respect of long service payment under the Employment Ordinance is the amount of future benefit that employees have earned in return for their service in the current period and prior years. The obligation is calculated using the projected unit credit method and discounted to its present value and after deducting the fair value of any related assets, including those retirement scheme benefit.

Cash equivalents

For the purpose of the consolidated cash flow statement, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts.

Related parties

A party is related to the Target Group if

- (a) directly, or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Target Group; or has an interest in the Target Group that gives it significant influence over the Target Group; or has joint control over the Target Group;
- (b) the party is an associate of the Target Group;

- (c) the party is a joint venture in which the Target Group is a venturer;
- (d) the party is a member of the key management personnel of the Target Group or its parent;
- (e) the party is a close member of the family of any individual referred to in (a) or (d);
- (f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
- (g) the party is a post-employment benefit plan for the benefit of employees of the Target Group, or of any entity that is a related party of the Target Group.

Critical accounting estimates and judgements

Allowance for bad and doubtful debts

The provision policy for bad and doubtful debts of the Target Group is based on the management's judgment of collectability and ageing analysis of the loans and accounts receivables. At the balance sheet date, the loans receivable and trade and other receivables, net of provision, amounted to HK\$215,296,579, HK\$810,655,689, HK\$286,694,156 and HK\$273,609,627 as at 30 September 2008, 31 December 2007, 2006 and 2005 respectively. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the creditworthiness and the past collection history of each debtor. If the financial conditions of these debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance will be required.

APPENDIX II ACCOUNTANT'S REPORT OF THE HENNABUN GROUP

2. Turnover and revenue

Turnover and revenue recognised from the principal activities of the Target Group during the period/year including investment holding, the provision of brokerage and financial services are as follows:

	Nine months ended		Year ended 31 December		
	30 September		2007	2006	2005
	2008	2007 (Unaudited)	2007	2006	2005
	HK\$	HK\$	HK\$	HK\$	HK\$
Commission and brokerage income for securities dealing	18,565,183	45,305,172	61,650,409	12,083,172	9,289,059
Underwriting and placing commission	6,989,219	35,578,674	43,348,141	5,748,654	4,544,073
Interest income on:					
Loans receivable and client accounts	20,549,593	21,197,248	29,546,439	20,509,687	16,228,372
Deposits in authorised institutions	344,009	1,785,858	2,570,916	515,339	240,249
Consultancy fee income	4,250,000	180,000	180,000	2,780,000	350,000
Dividend income from listed investments	4,501	5	5	16,039	–
Securities handling fees	9,064,620	3,763,007	6,307,830	1,185,509	2,954,486
Guarantee option fee income	2,400,000	–	–	–	–
	<u>62,167,125</u>	<u>107,809,964</u>	<u>143,603,740</u>	<u>42,838,400</u>	<u>33,606,239</u>

3. Other income

	Nine months ended		Year ended 31 December		
	30 September		2007	2006	2005
	2008	2007 (Unaudited)	2007	2006	2005
	HK\$	HK\$	HK\$	HK\$	HK\$
Recovery of allowance for bad and doubtful debts	75,200,000	–	–	–	27,266,876
Sundry income	315,316	68,927	114,652	563,250	991,458
	<u>75,515,316</u>	<u>68,927</u>	<u>114,652</u>	<u>563,250</u>	<u>28,258,334</u>

4. Loss before taxation

	Nine months ended		Year ended 31 December		
	30 September		2007	2006	2005
	2008	2007 (Unaudited)	2007	2006	2005
	HK\$	HK\$	HK\$	HK\$	HK\$
This is stated after charging:					
Contributions to MPF Scheme	584,303	131,473	206,848	186,602	389,494
Auditor's remuneration	1,079,000	479,000	638,500	580,000	510,000
Operating lease charges in respect of office premises	8,103,534	4,094,940	6,275,918	3,864,320	1,232,404
Provision for loss on misappropriation of clients' securities	-	-	2,500,000	3,000,000	-
Exchange loss, net	284,256	-	-	-	-
Employee benefits to directors of the Target Company and subsidiaries	1,437,079	2,148,486	2,148,486	2,719,882	3,652,004
Provision for penalty imposed by the Securities and Futures Commission	-	-	1,500,000	-	-
	<u>-</u>	<u>-</u>	<u>1,500,000</u>	<u>-</u>	<u>-</u>

Five highest paid employees' emoluments

Of the five individuals with the highest emoluments, there were one, two, two, three and three directors of the Target Company and subsidiaries for the period ended 30 September 2008 and 2007 and for the year ended 31 December 2007, 2006 and 2005 respectively whose emoluments were disclosed above. The aggregate of the emoluments in respect of the remaining individuals were as follows:

	Nine months ended		Year ended 31 December		
	30 September		2007	2006	2005
	2008	2007 (Unaudited)	2007	2006	2005
Number of remaining individuals	<u>4</u>	<u>3</u>	<u>3</u>	<u>2</u>	<u>2</u>

APPENDIX II ACCOUNTANT'S REPORT OF THE HENNABUN GROUP

	Nine months ended		Year ended 31 December		
	30 September		2007	2006	2005
	2008	2007			
		(Unaudited)			
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Salaries and other benefits	1,269,000	940,500	1,236,000	666,000	666,000
Contributions to retirement benefit schemes	36,000	28,000	37,000	24,000	24,000
	<u>1,305,000</u>	<u>968,500</u>	<u>1,273,000</u>	<u>690,000</u>	<u>690,000</u>

Their emoluments were within HK\$1,000,000 for each of the Relevant Periods.

5. Finance costs

	Nine months ended		Year ended 31 December		
	30 September		2007	2006	2005
	2008	2007			
		(Unaudited)			
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Bank loans, overdrafts and other loans wholly repayable within five years	7,175,201	12,825,993	17,762,369	18,106,238	6,433,588
Convertible notes	–	–	–	8,183,013	5,935,993
	7,175,201	12,825,993	17,762,369	26,289,251	12,369,581
<i>Less:</i> Amount attributable to provision of financial services	(7,175,201)	(12,825,993)	(17,762,369)	(18,106,238)	(6,433,588)
Other finance costs	<u>–</u>	<u>–</u>	<u>–</u>	<u>8,183,013</u>	<u>5,935,993</u>

6. Taxation

Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profits for the period ended 30 September 2008. Hong Kong Profits Tax has not been provided in the financial statements for the years ended 31 December 2007, 2006 and 2005 and for the period ended 30 September 2007 as companies within the Target Group either incurred a loss or their estimated assessable profits for the year were wholly absorbed by unrelieved tax losses brought forward from previous years. The applicable tax rate for the year ended 31 December 2007, 2006 and 2005 and for the period ended 30 September 2007 is 17.5%.

	Nine months ended		Year ended 31 December		
	30 September		2007	2006	2005
	2008	2007	2007	2006	2005
		(Unaudited)			
	HK\$	HK\$	HK\$	HK\$	HK\$
Hong Kong Profits Tax:					
Current period/year	1,030,003	-	-	-	-
(Over) Under provision in prior years	(4,200,000)	-	-	343,609	-
Tax (income) expense for the period/year	<u>(3,169,997)</u>	<u>-</u>	<u>-</u>	<u>343,609</u>	<u>-</u>

APPENDIX II ACCOUNTANT'S REPORT OF THE HENNABUN GROUP

	Nine months ended		Year ended 31 December		
	30 September				
	2008	2007	2007	2006	2005
		(Unaudited)			
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Reconciliation of tax (income) expense					
Loss before taxation	(104,678,130)	(50,402,159)	(92,415,804)	(99,280,786)	(222,567,032)
Income tax at applicable tax rate of 16.5% (2005-2007: 17.5%)	(17,271,892)	(8,820,378)	(16,610,993)	(17,374,138)	(38,949,231)
Non-deductible expenses	6,907,876	3,764,018	6,668,615	1,663,000	16,081,923
Tax exempt revenue	(947,528)	(2,839,743)	(3,388,244)	(776,173)	(26,723,491)
Unrecognised tax losses	24,962,465	8,485,585	13,093,148	16,237,897	49,635,231
Utilisation of previously unrecognised tax losses	(13,293,390)	(1,021,220)	(1,143,895)	(271,116)	(36,000)
Effect of different tax rates of subsidiaries operating in other jurisdictions	703,344	-	-	-	-
Unrecognised temporary differences	(30,872)	431,738	1,381,369	520,530	(8,432)
(Over) Under provision in prior year	(4,200,000)	-	-	343,609	-
Tax (income) expense for the period/year	(3,169,997)	-	-	343,609	-

7. Losses per share

The calculation of the basic losses per share is based on the loss for the periods/years in the Relevant Periods and the weighted average number of 4,364,082,843 and 1,780,553,432 ordinary shares in issue for the nine months ended 30 September 2008 and 2007, respectively, and 1,814,349,085, 863,241,026 and 595,677,839 ordinary shares in issue for the year ended 31 December 2007, 2006 and 2005, respectively.

Diluted loss per share has not been presented as the market price of the Target Company's share cannot be reliably measured for the Relevant Periods, and such information is not considered meaningful for the purpose of this report.

8. Business and geographical segments***Geographical segments***

No geographical segment information has been presented as less than 10% of the consolidated turnover and consolidated operating results of the Target Group are derived from customers outside Hong Kong, and over 90% of the Target Group's assets are originated from business decisions and operations based in Hong Kong.

Business segments

For management purpose, the Target Group currently organises its operations into three business segments, mainly brokerage and financial services, proprietary trading and investments holding. These divisions are the basis on which the Target Group reports its primary segment information. The principal activities of business segments are as follows:

- | | | |
|----------------------------------|---|---|
| Brokerage and financial services | – | Provision of securities/futures broking and margin financing services and provision of corporate and personal financing services |
| Proprietary trading | – | Proprietary trading in listed securities on the Stock Exchange, listed equity index futures contracts on the Futures Exchange and listed currency and commodity futures contracts on overseas exchange. |
| Investment holding | – | Holding properties, yacht, artworks and deposits for acquisition of property, plant and equipment and investment project. |

APPENDIX II ACCOUNTANT'S REPORT OF THE HENNABUN GROUP

For the year ended 31 December 2005

	Brokerage and financial services <i>HK\$</i>	Proprietary trading <i>HK\$</i>	Investments holding <i>HK\$</i>	Consolidated <i>HK\$</i>
Turnover	<u>33,606,239</u>	<u>–</u>	<u>–</u>	<u>33,606,239</u>
Segment results	<u>31,760,663</u>	<u>(7,068,470)</u>	<u>(204,954,585)</u>	<u>(180,262,392)</u>
Reversal of allowance for doubtful debts	27,266,876	–	–	27,266,876
Allowance for doubtful debts	(49,434,997)	–	–	(49,434,997)
Depreciation and amortisation expense	(1,899,741)	–	(84,886)	(1,984,627)
Finance costs attributable to provision of financial services				(6,433,588)
Other finance costs				(5,935,993)
Unallocated corporate income				991,458
Unallocated corporate expenses				<u>(6,773,769)</u>
Loss before taxation				(222,567,032)
Taxation				<u>–</u>
Loss for the year				<u>(222,567,032)</u>

At 31 December 2005
ASSETS

Segment assets	347,743,741	67,800	92,858,091	<u>440,669,632</u>
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LIABILITIES

Segment liabilities	219,344,583	–	26,627,058	245,971,641
Convertible notes				131,000,000
Unallocated corporate liabilities				<u>1,036,498</u>

378,008,139

APPENDIX II ACCOUNTANT'S REPORT OF THE HENNABUN GROUP

For the year ended 31 December 2006

	Brokerage and financial services <i>HK\$</i>	Proprietary trading <i>HK\$</i>	Investments holding <i>HK\$</i>	Consolidated <i>HK\$</i>
Turnover	<u>42,822,361</u>	<u>16,039</u>	<u>–</u>	<u>42,838,400</u>
Segment results	<u>21,066,640</u>	<u>980,952</u>	<u>(422,392)</u>	<u>21,625,200</u>
Allowance for doubtful debts	(73,710,828)	–	–	(73,710,828)
Bad debts written off	(6,951,546)	–	–	(6,951,546)
Depreciation and amortisation expense	(1,482,192)	–	(3,923,292)	(5,405,484)
Finance costs attributable to provision of financial services				(18,106,238)
Other finance costs				(8,183,013)
Unallocated corporate income				563,250
Unallocated corporate expenses				<u>(9,112,127)</u>
Loss before taxation				(99,280,786)
Taxation				<u>(343,609)</u>
Loss for the year				<u><u>(99,624,395)</u></u>

At 31 December 2006

ASSETS				
Segment assets	345,836,979	874,400	84,111,792	<u>430,823,171</u>
LIABILITIES				
Segment liabilities	183,546,303	–	102,374,194	285,920,497
Convertible notes				131,000,000
Unallocated corporate liabilities				<u>865,576</u>
				<u><u>417,786,073</u></u>

APPENDIX II ACCOUNTANT'S REPORT OF THE HENNABUN GROUP

For the year ended 31 December 2007

	Brokerage and financial services <i>HK\$</i>	Proprietary trading <i>HK\$</i>	Investments holding <i>HK\$</i>	Consolidated <i>HK\$</i>
Turnover	<u>143,603,735</u>	<u>5</u>	<u>–</u>	<u>143,603,740</u>
Segment results	<u>108,930,668</u>	<u>(68,918,761)</u>	<u>216,168</u>	<u>40,228,075</u>
Allowance for doubtful debts	(40,032,081)	–	–	(40,032,081)
Bad debts written off	(917,569)	–	–	(917,569)
Loss on investment	–	–	(55,000,000)	(55,000,000)
Depreciation and amortisation expense	(4,095,736)	–	(1,776,751)	(5,872,487)
Finance costs attributable to provision of financial services				(17,762,369)
Unallocated corporate income				114,652
Unallocated corporate expenses				<u>(13,174,025)</u>
Loss before taxation				(92,415,804)
Taxation				<u>–</u>
Loss for the year				<u>(92,415,804)</u>

At 31 December 2007
ASSETS

Segment assets	995,895,362	84,429,661	134,933,258	1,215,258,281
Unallocated corporate assets				<u>2,517,851</u>
				<u>1,217,776,132</u>

LIABILITIES

Segment liabilities	1,119,840,132	–	27,291,986	1,147,132,118
Unallocated corporate liabilities				<u>2,022,720</u>
				<u>1,149,154,838</u>

APPENDIX II ACCOUNTANT'S REPORT OF THE HENNABUN GROUP

For the nine months ended 30 September 2007

	Brokerage and financial services (Unaudited) <i>HK\$</i>	Proprietary trading (Unaudited) <i>HK\$</i>	Investments holding (Unaudited) <i>HK\$</i>	Consolidated (Unaudited) <i>HK\$</i>
Turnover	<u>107,809,959</u>	<u>5</u>	<u>–</u>	<u>107,809,964</u>
Segment results	<u>89,997,683</u>	<u>(24,711,599)</u>	<u>992,726</u>	<u>66,278,810</u>
Allowance for doubtful debts	(37,085,521)	–	–	(37,085,521)
Bad debts written off	(850,788)	–	–	(850,788)
Loss on investment	–	–	(55,000,000)	(55,000,000)
Depreciation and amortisation expense	(2,538,660)	–	(1,770,607)	(4,309,267)
Finance costs attributable to provision of financial services				(12,825,993)
Unallocated corporate income				68,927
Unallocated corporate expenses				<u>(6,678,327)</u>
Loss before taxation				(50,402,159)
Taxation				<u>–</u>
Loss for the period				<u>(50,402,159)</u>

APPENDIX II ACCOUNTANT'S REPORT OF THE HENNABUN GROUP

For the nine months ended 30 September 2008

	Brokerage and financial services <i>HK\$</i>	Proprietary trading <i>HK\$</i>	Investments holding <i>HK\$</i>	Consolidated <i>HK\$</i>
Turnover	<u>62,162,624</u>	<u>4,501</u>	<u>–</u>	<u>62,167,125</u>
Segment results	<u>37,238,812</u>	<u>(145,980,255)</u>	<u>25,575</u>	<u>(108,715,868)</u>
Reversal of allowance for bad and doubtful debts	75,200,000	–	–	75,200,000
Allowance for doubtful debts	(48,500,012)	–	–	(48,500,012)
Bad debts written off	(283,865)	–	–	(283,865)
Depreciation and amortisation expense	(4,366,667)	–	(2,418,999)	(6,785,666)
Finance costs attributable to provision of financial services				(7,175,201)
Unallocated corporate income				315,316
Unallocated corporate expenses				<u>(8,732,834)</u>
Loss before taxation				(104,678,130)
Taxation				<u>3,169,997</u>
Loss for the period				<u>(101,508,133)</u>
<i>At 30 September 2008</i>				
ASSETS				
Segment assets	385,943,779	45,518,457	128,155,492	559,617,728
Unallocated corporate assets				<u>399,040</u>
				<u>560,016,768</u>
LIABILITIES				
Segment liabilities	222,668,027	10,000	24,753,536	247,431,563
Unallocated corporate liabilities				<u>2,472,044</u>
				<u>249,903,607</u>

APPENDIX II ACCOUNTANT'S REPORT OF THE HENNABUN GROUP

Segment assets consist primarily of property, plant and equipment, deposits for acquisition of property, plant and equipment, other investments, financial assets at fair value though profit or loss, loans receivable, trade and other receivables, deposit for investment project and bank balances and cash. Segment liabilities consist of trade and other payables, due to director, due to a related company, bank overdrafts, interest-bearing borrowings and convertible notes.

9. Property, plant and equipment

	Leasehold improvements <i>HKS</i>	Leasehold land and buildings <i>HKS</i>	Furniture and fixtures <i>HKS</i>	Office equipment <i>HKS</i>	Motor vehicles and yacht <i>HKS</i>	Total <i>HKS</i>
Reconciliation of carrying amount – year ended 31 December 2005						
At beginning of year	36,452	–	405,842	780,528	50,598	1,273,420
Additions	–	–	1,785,920	691,385	608,000	3,085,305
Acquisition of subsidiaries	4,926,228	80,219,470	–	–	–	85,145,698
Depreciation	(22,518)	–	(694,783)	(647,774)	(159,552)	(1,524,627)
At balance sheet date	<u>4,940,162</u>	<u>80,219,470</u>	<u>1,496,979</u>	<u>824,139</u>	<u>499,046</u>	<u>87,979,796</u>
Reconciliation of carrying amount – year ended 31 December 2006						
At beginning of year	4,940,162	80,219,470	1,496,979	824,139	499,046	87,979,796
Additions	5,506,674	–	2,927,787	963,418	–	9,397,879
Depreciation	(1,981,356)	(1,865,569)	(1,184,917)	(699,396)	(134,246)	(5,865,484)
At balance sheet date	<u>8,465,480</u>	<u>78,353,901</u>	<u>3,239,849</u>	<u>1,088,161</u>	<u>364,800</u>	<u>91,512,191</u>
Reconciliation of carrying amount – year ended 31 December 2007						
At beginning of year	8,465,480	78,353,901	3,239,849	1,088,161	364,800	91,512,191
Additions	648,632	–	10,192,863	1,755,050	87,657,770	100,254,315
Depreciation	(974,012)	(777,320)	(3,205,785)	(908,569)	(6,800)	(5,872,486)
Disposal	–	–	–	–	(358,000)	(358,000)
Disposal of subsidiary	(8,139,326)	(77,576,581)	–	–	–	(85,715,907)
At balance sheet date	<u>774</u>	<u>–</u>	<u>10,226,927</u>	<u>1,934,642</u>	<u>87,657,770</u>	<u>99,820,113</u>

APPENDIX II ACCOUNTANT'S REPORT OF THE HENNABUN GROUP

	Leasehold improvements <i>HK\$</i>	Leasehold land and buildings <i>HK\$</i>	Furniture and fixtures <i>HK\$</i>	Office equipment <i>HK\$</i>	Motor vehicles and yacht <i>HK\$</i>	Total <i>HK\$</i>
Reconciliation of carrying amount – period ended 30 September 2008						
At beginning of period	774	–	10,226,927	1,934,642	87,657,770	99,820,113
Additions	–	–	9,619,456	4,125,396	–	13,744,852
Depreciation	(774)	–	(3,711,494)	(881,954)	(2,191,444)	(6,785,666)
Disposal of subsidiary	–	–	(310,495)	(3,249,707)	(85,466,326)	(89,026,528)
Exchange differences	–	–	–	3,794	–	3,794
At balance sheet date	<u>–</u>	<u>–</u>	<u>15,824,394</u>	<u>1,932,171</u>	<u>–</u>	<u>17,756,565</u>
At 31 December 2005						
Cost	5,087,028	80,219,470	3,746,744	5,319,409	797,760	95,170,411
Accumulated depreciation	(146,866)	–	(2,249,765)	(4,495,270)	(298,714)	(7,190,615)
	<u>4,940,162</u>	<u>80,219,470</u>	<u>1,496,979</u>	<u>824,139</u>	<u>499,046</u>	<u>87,979,796</u>
At 31 December 2006						
Cost	10,593,702	80,219,470	6,567,004	6,282,827	797,760	104,460,763
Accumulated depreciation	(2,128,222)	(1,865,569)	(3,327,155)	(5,194,666)	(432,960)	(12,948,572)
	<u>8,465,480</u>	<u>78,353,901</u>	<u>3,239,849</u>	<u>1,088,161</u>	<u>364,800</u>	<u>91,512,191</u>
At 31 December 2007						
Cost	160,800	–	16,759,867	8,037,877	87,847,530	112,806,074
Accumulated depreciation	(160,026)	–	(6,532,940)	(6,103,235)	(189,760)	(12,985,961)
	<u>774</u>	<u>–</u>	<u>10,226,927</u>	<u>1,934,642</u>	<u>87,657,770</u>	<u>99,820,113</u>
At 30 September 2008						
Cost	160,800	–	26,056,924	8,871,228	–	35,088,952
Accumulated depreciation	(160,800)	–	(10,232,530)	(6,939,057)	–	(17,332,387)
	<u>–</u>	<u>–</u>	<u>15,824,394</u>	<u>1,932,171</u>	<u>–</u>	<u>17,756,565</u>

APPENDIX II ACCOUNTANT'S REPORT OF THE HENNABUN GROUP

10. Intangible assets

	Trading rights of SEHK HK\$	Trading right of HKFE HK\$	Total HK\$
Year ended 31 December 2005			
At beginning of year	1,650,001	1,093,333	2,743,334
Amortisation	<u>(300,000)</u>	<u>(160,000)</u>	<u>(460,000)</u>
At balance sheet date	<u><u>1,350,001</u></u>	<u><u>933,333</u></u>	<u><u>2,283,334</u></u>
Year ended 31 December 2006			
At beginning of year	1,350,001	933,333	2,283,334
Reversal of amortisation in prior year	<u>300,000</u>	<u>160,000</u>	<u>460,000</u>
At balance sheet date	<u><u>1,650,001</u></u>	<u><u>1,093,333</u></u>	<u><u>2,743,334</u></u>
Year ended 31 December 2007 and period ended 30 September 2008			
At beginning of year/period and balance sheet date	<u><u>1,650,001</u></u>	<u><u>1,093,333</u></u>	<u><u>2,743,334</u></u>
At 31 December 2005			
Cost	3,000,001	1,600,000	4,600,001
Accumulated amortisation and impairment losses	<u>(1,650,000)</u>	<u>(666,667)</u>	<u>(2,316,667)</u>
	<u><u>1,350,001</u></u>	<u><u>933,333</u></u>	<u><u>2,283,334</u></u>
At 31 December 2006, 2007 and 30 September 2008			
Cost	3,000,001	1,600,000	4,600,001
Accumulated amortisation and impairment losses	<u>(1,350,000)</u>	<u>(506,667)</u>	<u>(1,856,667)</u>
	<u><u>1,650,001</u></u>	<u><u>1,093,333</u></u>	<u><u>2,743,334</u></u>

APPENDIX II ACCOUNTANT'S REPORT OF THE HENNABUN GROUP

11. Other non-current assets

	At			
	30 September	At 31 December		
	2008 HK\$	2007 HK\$	2006 HK\$	2005 HK\$
Deposits with HKFE Clearing Corporation Limited	1,500,000	1,500,000	1,500,000	1,500,000
Admission fee paid to Hong Kong Securities Clearing Company Limited	50,000	100,000	100,000	100,000
Cash contributions to Central Clearing and Settlement System Guarantee Fund	170,000	250,000	210,000	290,000
Deposits with the SEHK	200,000	200,000	200,000	150,000
Statutory deposits	100,000	100,000	100,000	100,000
	<u>2,020,000</u>	<u>2,150,000</u>	<u>2,110,000</u>	<u>2,140,000</u>

12. Other investments

	At			
	30 September	At 31 December		
	2008 HK\$	2007 HK\$	2006 HK\$	2005 HK\$
Other securities:				
Unlisted shares, at cost	2,500,000	2,500,000	2,500,000	2,500,000
Impairment loss	(2,499,999)	(2,499,999)	(2,499,999)	(2,499,999)
	1	1	1	1
Artworks (<i>note #</i>)	74,247,500	-	-	-
	<u>74,247,501</u>	<u>1</u>	<u>1</u>	<u>1</u>

Artworks represent paintings acquired through public auctions and they are recognised in accordance with the requirements of paragraph 10 in HKAS8 "Accounting Policies, Changes in Accounting Estimates and Errors". With reference to the advices provided by professional practitioners, the directors of the Target Group assessed that there was no impairment loss as at 30 September 2008.

APPENDIX II ACCOUNTANT'S REPORT OF THE HENNABUN GROUP

13. Financial assets at fair value through profit or loss

	At 30 September	At 31 December		
	2008	2007	2006	2005
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Held for trading				
Listed in Hong Kong	45,518,457	84,429,661	874,400	67,800

The fair values of the listed investments are determined based on the quoted market price available in the Hong Kong stock market at the balance sheet dates.

14. Loans receivable

	At 30 September	At 31 December		
	2008	2007	2006	2005
<i>Note</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Third parties	8,428,535	385,033,924	210,207,002	52,989,801
A shareholder of the Target Company	456,781	456,780	15,327,226	–
	8,885,316	385,490,704	225,534,228	52,989,801
Allowance for bad and doubtful debts	<i>14(a)</i> (8,885,316)	(83,648,836)	(76,914,843)	(7,455,438)
	–	301,841,868	148,619,385	45,534,363

APPENDIX II ACCOUNTANT'S REPORT OF THE HENNABUN GROUP

14(a) Allowance for bad and doubtful debts

	At 30 September	At 31 December		
	2008	2007	2006	2005
	HK\$	HK\$	HK\$	HK\$
At beginning of period/year	(83,648,836)	(76,914,843)	(7,455,438)	(257,440,669)
Increase in allowance	(436,480)	(6,765,538)	(76,760,068)	–
Amount recovered	75,200,000	31,545	–	17,000,000
Amount written off	–	–	7,300,663	1,682,644
Disposal of subsidiaries	–	–	–	231,302,587
	<hr/>	<hr/>	<hr/>	<hr/>
At the balance sheet date	(8,885,316)	(83,648,836)	(76,914,843)	(7,455,438)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The directors assessed the collectability of loans receivable at the balance sheet date individually with reference to borrowers' past collection history and current creditworthiness. An aggregate amount due from borrowers of HK\$8,885,316, HK\$83,648,836, HK\$76,914,843 and HK\$7,455,438 as at 30 September 2008, 31 December 2007, 2006 and 2005 respectively were determined to be impaired as a result of the assessment.

APPENDIX II ACCOUNTANT'S REPORT OF THE HENNABUN GROUP

15. Trade and other receivables

		At	At 31 December		
	30 September		2007	2006	2005
<i>Note</i>	<i>HK\$</i>		<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Trade receivables					
Third parties	287,788,747		542,495,487	129,566,086	226,458,360
A director of the Target Company	<i>15(a)</i> 181,257	–	–	–	1,004,009
A related company	<i>15(b)</i> –	364,142	224,363		1,700,887
Other related parties	<i>15(c)</i> 5,871,611	190,255	10,501,743		6,334,625
	293,841,615	543,049,884	140,292,192		235,497,881
Allowance for bad and doubtful debts	<i>15(d)</i> (82,897,059)	(37,980,718)	(4,682,632)		(9,782,632)
Trade receivables, net	210,944,556	505,069,166	135,609,560		225,715,249
Other receivables	<i>15(e)</i> 4,352,023	3,744,655	2,465,211		2,360,015
	<u>215,296,579</u>	<u>508,813,821</u>	<u>138,074,771</u>		<u>228,075,264</u>

APPENDIX II ACCOUNTANT’S REPORT OF THE HENNABUN GROUP

15(a) Trade receivable from a director of the Target Company

The amounts due represent securities margin loans secured by marketable securities. Details of the amounts due are as follows:

Name	Position	Maximum amount outstanding during the period/year <i>HK\$</i>	Balance as at	Amount <i>HK\$</i>	Interest rate per annum
Chuang Yue-chien, Eugene	Director	<u>1,004,009</u>	31.12.2005	<u>1,004,009</u>	5% – 7.5%
		<u>3,494,618</u>	31.12.2006	<u>–</u>	8%
		<u>17,290,860</u>	31.12.2007	<u>–</u>	8%
		<u>1,623,514</u>	30.9.2008	<u>181,257</u>	5%

At the balance sheet dates, there was no interest due but unpaid and no provision had been made for non-repayment of the advance or interest.

APPENDIX II ACCOUNTANT'S REPORT OF THE HENNABUN GROUP

15(b) Trade receivable from a related company

The amounts due represent securities margin loans secured by marketable securities. Details of the amounts due are as follows:

Name of related company	Connected director	Maximum amount outstanding during the period/year <i>HK\$</i>	Balance as at	Balance <i>HK\$</i>	Interest rate per annum
Capital Union Inc.	Chuang Yue-chien, Eugene	<u>1,700,887</u>	31.12.2005	<u>1,700,887</u>	5% – 7.5%
		<u>7,043,767</u>	31.12.2006	<u>224,363</u>	8%
		<u>41,916,465</u>	31.12.2007	<u>364,142</u>	8%
		<u>3,980,118</u>	30.9.2008	<u>–</u>	5%

At the balance sheet dates, there was no interest due but unpaid and no provision had been made for non-repayment of the advances or interest.

APPENDIX II ACCOUNTANT'S REPORT OF THE HENNABUN GROUP

15(c) Trade receivable from other related parties

The amounts due represent securities margin loans secured by marketable securities. Details of amounts due are as follows:

Name	Maximum amount outstanding during the year HK\$	Balance at 31.12.2005 HK\$	Interest rate per annum
<u>Directors of the Target</u>			
<u>Company's major shareholder</u>			
Wong Ying Seung, Asiong	6,011,084	6,011,084	5% – 7.5%
King, Phillip	561,408	264,193	5% – 7.5%
<u>Director of the Target Company and a subsidiary</u>			
Chan Shek Wah	204,058	59,348	5% – 7.5%
	6,776,550	6,334,625	

APPENDIX II ACCOUNTANT'S REPORT OF THE HENNABUN GROUP

Name	Maximum amount outstanding during the year HK\$	Balance at 31.12.2006 HK\$	Interest rate per annum
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Directors of the Target
Company's major shareholder

– Chuang Yueheng, Henry	927,371	–	8%
– Wong Ying Seung, Asiong	18,428,145	8,126,968	5% – 10%
– King Phillip	2,364,891	2,364,891	8% – 10%

Director of the Target Company
and a subsidiary

– Chan Shek Wah	59,604	9,884	5% – 10%
	21,780,011	10,501,743	

Name	Maximum amount outstanding during the year HK\$	Balance at 31.12.2007 HK\$	Interest rate per annum
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Directors of the Target
Company's major shareholder
(prior to 24 April 2007)

– Chuang Yueheng, Henry	44,704,789	–	5%
– King, Phillip	17,364,891	–	8%
– Wong Ying Seung, Asiong	23,328,107	–	5%

Directors of the Target Company
and a subsidiary

– Chan Shek Wah	10,084	–	5%
– Tong So Yuet	237,213	190,255	5%
	85,645,084	190,255	

APPENDIX II ACCOUNTANT'S REPORT OF THE HENNABUN GROUP

Name	Maximum amount outstanding during the period <i>HK\$</i>	Balance at 30.9.2008 <i>HK\$</i>	Interest rate per annum
<u>Director of a subsidiary</u>			
– Ng Kwai Cho	5,448,411	–	5%
<u>Close family members of director of the Target Company</u>			
– Chuang Yueheng, Henry	7,664,123	5,397,007	5%
– Huang Min Chuan, Joan	11,804,292	474,604	5%
<u>Director of the Target Company and a subsidiary</u>			
– Tong So Yuet	<u>21,905,659</u>	<u>–</u>	5%
	<u><u>46,822,485</u></u>	<u><u>5,871,611</u></u>	

At the balance sheet dates, there was no interest due but unpaid and no provision had been made for non-repayment of the advance or interest.

15(d) Allowance for bad and doubtful debts

	At 30 September	At 31 December		
	2008	2007	2006	2005
	HK\$	HK\$	HK\$	HK\$
At beginning of period/year	(37,980,718)	(4,682,632)	(9,782,632)	(30,682,632)
Increase in allowance	(48,063,532)	(33,298,086)	(1,629,706)	–
Amount recovered	–	–	2,439,320	10,266,876
Amount written off	3,147,191	–	4,290,386	10,633,124
At the balance sheet date	<u>(82,897,059)</u>	<u>(37,980,718)</u>	<u>(4,682,632)</u>	<u>(9,782,632)</u>

Included in the Target Group's trade receivables, an aggregate amount of HK\$82,897,059, HK\$37,980,718, HK\$4,682,632 and HK\$9,782,632 as at 30 September 2008, 31 December 2007, 2006 and 2005 due from customers were determined to be impaired and full provision had been made respectively. These receivables were due from customers with financial difficulties or creditworthiness problems. The allowance represents the difference between the carrying amount of individual amount due from customers and the market value of the collaterals held of HK\$13,489,175, HK\$47,660,000, HK\$9,013,000 and HK\$1,869,513 as at 30 September 2008, 31 December 2007, 2006 and 2005 over the respective balances respectively.

15(e) Other receivables

Included in other receivables as at 31 December 2004 was an amount of HK\$13,700,000 being the balance of consideration paid for the acquisition of two wholly-owned subsidiaries of a related company, a director of which was also a director of the Target Company. In April 2005, the related company re-acquired these two companies at a cash consideration of HK\$5,000,000. A loss on disposal of HK\$8,700,000 was recognised in the consolidated income statement for the year ended 31 December 2005.

APPENDIX II ACCOUNTANT'S REPORT OF THE HENNABUN GROUP

16. Cash and cash equivalents

	At 30 September	At 31 December		
	2008	2007	2006	2005
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Bank balances and cash	123,620,332	175,947,334	43,889,089	71,589,074
Pledged bank deposits	3,000,000	3,000,000	3,000,000	3,000,000
Bank overdrafts	<u>(28,371,315)</u>	<u>(8,186,180)</u>	<u>(24,792,208)</u>	<u>(21,424,791)</u>
As stated in the consolidated cash flow statement	<u>98,249,017</u>	<u>170,761,154</u>	<u>22,096,881</u>	<u>53,164,283</u>

Bank balances of saving account earn interest at floating rates based on daily bank deposit rates. Pledged bank deposits earn interest at fixed interest rate of 3.5%, 2.75%, 2.75% and 3.6% as at 30 September 2008, 31 December 2007, 2006 and 2005 per annum respectively.

17. Due to a director

The amounts due were unsecured, interest-free and had no fixed repayment term.

18. Due to a related company

The amounts due to Capital Union Inc., a company controlled by a director of the Target Company, Mr. Chuang Yue-chien, Eugene are unsecured, interest-free and have no fixed repayment term. At the balance sheet date, the carrying amount of the amounts due approximates their fair value.

APPENDIX II ACCOUNTANT'S REPORT OF THE HENNABUN GROUP

19. Trade and other payables

		At 30 September	At 31 December		
		2008	2007	2006	2005
<i>Note</i>		<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Trade payables					
To third parties		17,427,901	214,908,162	21,907,385	55,180,768
To related parties		<u>647,254</u>	<u>612,555</u>	–	–
		<u>18,075,155</u>	<u>215,520,717</u>	<u>21,907,385</u>	<u>55,180,768</u>
Other payables					
Provisions	20	5,500,000	7,000,000	3,000,000	–
Accrued charges and other creditors		<u>17,165,957</u>	<u>4,112,162</u>	<u>7,966,466</u>	<u>4,605,959</u>
		<u>22,665,957</u>	<u>11,112,162</u>	<u>10,966,466</u>	<u>4,605,959</u>
		<u><u>40,741,112</u></u>	<u><u>226,632,879</u></u>	<u><u>32,873,851</u></u>	<u><u>59,786,727</u></u>

20. Provisions

	Provision for loss <i>HK\$</i> <i>(Note (i))</i>	Provision for penalty <i>HK\$</i> <i>(Note (ii))</i>	Total <i>HK\$</i>
At 31 December 2005	–	–	–
Additional provision	<u>3,000,000</u>	<u>–</u>	<u>3,000,000</u>
At 31 December 2006	3,000,000	–	3,000,000
Additional provision	<u>2,500,000</u>	<u>1,500,000</u>	<u>4,000,000</u>
At 31 December 2007	5,500,000	1,500,000	7,000,000
Settlement during the period	<u>–</u>	<u>(1,500,000)</u>	<u>(1,500,000)</u>
At 30 September 2008	<u><u>5,500,000</u></u>	<u><u>–</u></u>	<u><u>5,500,000</u></u>

APPENDIX II ACCOUNTANT'S REPORT OF THE HENNABUN GROUP

Note:

- (i) During 2006, two staff members (both resigned in 2006) of a subsidiary of the Target Company surrendered themselves to the police admitting that they had misappropriated clients' securities. Investigation has been conducting on this matter since 2006. The loss is covered by insurance and having taken appropriate legal advice, the directors estimate that the maximum loss the Target Group is expected to bear under the insurance policy would be the excess of approximately HK\$3 million (the "Excess"); any amounts exceeding the Excess would be covered by insurance subject to a limit of HK\$15 million. Accordingly, a provision for loss of HK\$3 million had been made and recognised as expense in the 2006 consolidated financial statements. Both ex-staff members were found guilty during the period ended 30 September 2008.

Based on the results of investigation and taking into consideration the subsequent changes in prices the claimable value of the missing clients' securities was estimated to be approximately HK\$9 million. Since 2007, several affected clients took legal actions against this subsidiary for compensation of the securities lost and it has been negotiating with the insurance company for the settlement. At each balance sheet date, the directors reassessed the adequacy of provision having taken into account the value of securities claimed by the affected clients and the possible compensation under the insurance policy. Given the fact that the negotiation and the proceedings with affected clients together with the insurance company are still in process and a further provision for loss of HK\$2.5 million was recognised in the 2007 consolidated financial statements, the Target Group, based on directors' best estimation, has opined that the provisions as at 30 September 2008, 31 December 2007 and 2006 are sufficient to cover the loss respectively.

- (ii) In connection with the above mentioned event, the Securities and Futures Commission finalised disciplinary action against this subsidiary during the year ended 31 December 2007 with a fine of HK\$1.5 million under section 194 of the Securities and Futures Ordinance. The fine was paid during the period ended 30 September 2008.

21. BANK OVERDRAFTS

	At	At 31 December		
	30 September	2007	2006	2005
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Secured	26,213,214	7,243,217	24,521,734	21,424,791
Unsecured	2,158,101	942,963	270,474	–
	<u>28,371,315</u>	<u>8,186,180</u>	<u>24,792,208</u>	<u>21,424,791</u>

22. Interest-bearing borrowings

	At		At 31 December		
	30 September		2007	2006	2005
	2008		2007	2006	2005
	HK\$		HK\$	HK\$	HK\$
Secured bank loans	-	-	47,823,393	36,000,000	
Unsecured loans					
- Third parties	118,000,000	205,000,000	161,500,000	110,000,000	
- A related company	-	-	14,000,000	-	
	<u>118,000,000</u>	<u>205,000,000</u>	<u>223,323,393</u>	<u>146,000,000</u>	
Current portion	118,000,000	205,000,000	177,679,931	146,000,000	
Non-current portion	-	-	45,643,462	-	
	<u>118,000,000</u>	<u>205,000,000</u>	<u>223,323,393</u>	<u>146,000,000</u>	

Unsecured loans carried interest ranging from 4.5% per annum to prime rate plus 2% for the period of 2008, prime rate to 12% per annum for the year of 2007, prime rate plus 1% to 7.5% per annum for the year of 2006, prime rate plus 1% to 7.5% per annum for the year of 2005.

23. Deposit for investment project

During the period ended 30 September 2008, a wholly owned subsidiary, Hero City Trading Limited (“Hero City”), entered into an agreement with a third party in respect of a PRC investment project at a consideration of US\$18,000,000 (equivalent to HK\$140,580,000) and has paid a deposit of US\$4,000,000 (equivalent to HK\$31,240,000). Subsequent to 30 September 2008, Hero City was disposed of to a related party at a consideration equal to the net asset value of Hero City on the disposal date.

24. Convertible notes

	Note	At	At 31 December		
		30 September	2007	2006	2005
		2008	2007	2006	2005
		HK\$	HK\$	HK\$	HK\$
At beginning of period/year		–	131,000,000	131,000,000	120,300,000
Redemption	(i)	–	–	–	(25,300,000)
Cancellation	(ii)(b)	–	–	–	(95,000,000)
Issuance of new notes					
during the year	(ii)(a) & (b)	–	–	–	146,000,000
Conversion	(iii) & 26(vi)	–	(131,000,000)	–	(15,000,000)
At balance sheet date		–	–	131,000,000	131,000,000

Note:

- (i) Convertible note with principal sum of HK\$25,300,000 was redeemed by the Target Company during 2005.
- (ii) During 2005, the Target Company entered into an agreement dated 3 August 2005 with its ex-substantial shareholder, Willie International Holdings Limited (“Willie”), whereby:
- the Target Company acquired 100% of the equity shares in a wholly-owned subsidiary from Willie which principal assets were loans receivable of HK\$41 million. The acquisition was satisfied by the issue of a convertible note by the Target Company in the principal amount of HK\$41 million (“First New Note”);
 - the 6% convertible note issued by the Target Company on January 2004 together with the outstanding principal amount of HK\$95 million and accrued interest of approximately HK\$10 million were cancelled in exchange for new convertible note issued by the Target Company in the principal amount of HK\$105 million (“Second New Note”);
 - the First New Note and Second New Note (hereinafter collectively referred to as “New Convertible Notes”) bear interest at 8% per annum, payable monthly and will mature in ten years from the date of issue. They can be converted into shares of the Target Company at a conversion price of HK\$0.25 per ordinary share at any time after the date of issue of the convertible note and before its maturity date; and
 - the Target Company, or its subsidiaries or independent parties, provides an unsecured standby credit facility in the amount of HK\$50 million to Willie at prime rate and any drawdown of the facility is repayable on demand. Willie had not utilised such standby credit facility during the year ended 31 December 2005. This facility was expired during the year ended 31 December 2006.

APPENDIX II ACCOUNTANT'S REPORT OF THE HENNABUN GROUP

- (iii) Of the New Convertible Notes with principal sum of HK\$146,000,000, principal amount of HK\$15,000,000 was converted into 60,000,000 ordinary shares of US\$0.01 each of the Target Company at a conversion price of HK\$0.25 per share.
- (iv) The fair value of the liability component and the equity conversion component were determined at issuance of the New Convertible Notes. The fair value of the liability component, included in the carrying amount of convertible notes, was calculated using a market interest rate for an equivalent non-convertible note. The residual amount, representing the value of the equity conversion component was determined to be immaterial.

25. Deferred taxation

Unrecognised deferred tax assets arising from

	At 30 September	At 31 December		
	2008	2007	2006	2005
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Deductible temporary differences	6,353,756	89,781,572	2,302,615	6,567,788
Tax losses	351,653,768	242,670,305	156,706,710	142,972,772
At balance sheet date	<u>358,007,524</u>	<u>332,451,877</u>	<u>159,009,325</u>	<u>149,540,560</u>

Both the tax losses and the deductible temporary differences have no expiry date under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Target Group can utilise the benefits therefrom.

APPENDIX II ACCOUNTANT'S REPORT OF THE HENNABUN GROUP

26. Share capital

	<i>Note</i>	Number of ordinary shares of US\$0.1 each	Number of ordinary shares of US\$0.01 each	Nominal value <i>HK\$</i>
Authorised:				
At 1 January 2005		750,000,000	–	585,000,000
Subdivision of shares	<i>(iii)</i>	<u>(750,000,000)</u>	<u>7,500,000,000</u>	–
At 31 December 2005, 31 December 2006, 31 December 2007 and 30 September 2008		<u>–</u>	<u>7,500,000,000</u>	<u>585,000,000</u>
Issued and fully paid:				
At 1 January 2005		593,933,333	–	463,268,000
New shares issued	<i>(i)</i>	7,000,000	–	5,460,000
Share repurchase	<i>(ii)</i>	(40,000,000)	–	(31,200,000)
Capital reduction	<i>(iii)</i>	<u>(560,933,333)</u>	<u>560,933,334</u>	<u>(393,775,200)</u>
		–	560,933,334	43,752,800
Conversion of convertible notes	<i>24(iii)</i>	<u>–</u>	<u>60,000,000</u>	<u>4,680,000</u>
At 31 December 2005		–	620,933,334	48,432,800
New shares issued	<i>(iv)</i>	<u>–</u>	<u>250,000,000</u>	<u>19,500,000</u>
At 31 December 2006		–	870,933,334	67,932,800
New shares issued	<i>(v)</i>	–	170,000,000	13,260,000
Conversion of convertible notes	<i>(vi)</i>	<u>–</u>	<u>873,333,333</u>	<u>68,120,000</u>
At 31 December 2007		–	1,914,266,667	149,312,800
New shares issued	<i>(vii)</i>	<u>–</u>	<u>3,450,000,000</u>	<u>269,100,000</u>
At 30 September 2008		<u>–</u>	<u>5,364,266,667</u>	<u>418,412,800</u>

Note:

- (i) By an ordinary resolution of the board of directors passed on 4 January 2005, 3,000,000 ordinary shares of US\$0.1 each were issued for total cash consideration of HK\$3,000,000. These shares rank pari passu with the existing shares in all respects.

By an ordinary resolution of the board of directors passed on 7 January 2005, 4,000,000 ordinary shares of US\$0.1 each were issued for total cash consideration of HK\$4,000,000. These shares rank pari passu with the existing shares in all respects.

- (ii) By an ordinary resolution of the board of directors passed on 29 June 2005, 40,000,000 ordinary shares of US\$0.1 each were repurchased at a consideration of HK\$40,000,000 which was satisfied by a cash consideration of HK\$20,000,000 and loan payable amounted to HK\$20,000,000 due to such shareholder.

- (iii) By ordinary resolutions of the board of directors passed on 15 July 2005, the authorised capital was made up of one class and one series of shares divided into 7,500,000,000 shares of US\$0.01 par value with one vote for each share. It was further resolved that the par value of all of the share capital of the Target Company both issued and unissued were reduced from US\$0.1 to US\$0.01 and accordingly a capital reduction of HK\$393,775,200 was recognised and transferred to the contributed surplus subject to the provisions in the Memorandum and Articles of Association of the Target Company.

- (iv) By an ordinary resolution of the board of directors passed on 11 January 2006, 100,000,000 ordinary shares of US\$0.01 each were issued for total cash consideration of HK\$20,000,000. These shares rank pari passu with the existing shares in all respects.

By an ordinary resolution of the board of directors passed on 13 January 2006, 150,000,000 ordinary shares of US\$0.01 each were issued for total cash consideration of HK\$30,000,000. These shares rank pari passu with the existing shares in all respects.

- (v) By an ordinary resolution of the board of directors passed on 30 January 2007, 170,000,000 ordinary shares of US\$0.01 each were issued for total cash consideration of HK\$17,000,000. These shares rank pari passu with the existing shares in all respects.

- (vi) By an ordinary resolution of the board of directors passed on 6 February 2007, a shareholder of the Target Company converted the convertible notes with the principal amount of HK\$131,000,000 into 873,333,333 ordinary shares of US\$0.01 each. These shares rank pari passu with the existing shares in all respects.

- (vii) By ordinary resolutions of the board of directors passed on 16 January 2008, 6 May 2008, 16 September 2008, 17 September 2008 and 24 September 2008, 3,450,000,000 ordinary shares in total of US\$0.01 each were issued for total cash consideration of HK\$343,000,000. These shares rank pari passu with the existing shares in all respects.

APPENDIX II ACCOUNTANT'S REPORT OF THE HENNABUN GROUP

27. Reserves

	Share premium <i>HK\$</i>	Contributed surplus <i>HK\$</i>	Accumulated losses <i>HK\$</i>	Total <i>HK\$</i>
As 1 January 2005	483,499,311	98,619,579	(742,158,365)	(160,039,475)
Premium on issue of shares	11,860,000	–	–	11,860,000
Share repurchase	(8,800,000)	–	–	(8,800,000)
Capital reduction	–	393,775,200	–	393,775,200
Loss for the year	<u>–</u>	<u>–</u>	<u>(222,567,032)</u>	<u>(222,567,032)</u>
At 31 December 2005 and 1 January 2006	486,559,311	492,394,779	(964,725,397)	14,228,693
Premium on issue of shares	30,500,000	–	–	30,500,000
Loss for the year	<u>–</u>	<u>–</u>	<u>(99,624,395)</u>	<u>(99,624,395)</u>
At 31 December 2006 and 1 January 2007	517,059,311	492,394,779	(1,064,349,792)	(54,895,702)
Premium on issue of shares	3,740,000	–	–	3,740,000
Premium on conversion of convertible notes	62,880,000	–	–	62,880,000
Loss for the year	<u>–</u>	<u>–</u>	<u>(92,415,804)</u>	<u>(92,415,804)</u>
At 31 December 2007 and 1 January 2008	583,679,311	492,394,779	(1,156,765,596)	(80,691,506)
Premium on issue of shares	73,900,000	–	–	73,900,000
Loss for the period	<u>–</u>	<u>–</u>	<u>(101,508,133)</u>	<u>(101,508,133)</u>
At 30 September 2008	<u><u>657,579,311</u></u>	<u><u>492,394,779</u></u>	<u><u>(1,258,273,729)</u></u>	<u><u>(108,299,639)</u></u>

Share premium represents the excess of consideration received over the par value of shares issued.

Contributed surplus represents amount transferred from share capital pursuant to capital reduction made in prior years.

APPENDIX II ACCOUNTANT'S REPORT OF THE HENNABUN GROUP

28. Commitments under operating leases

At the balance sheet dates, the Target Group had total future minimum lease payments under non-cancellable operating leases in respect of office premises, which are payable as follows:

	At	At 31 December		
	30 September	2007 2006 2005		
	2008	2007	2006	2005
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Within one year	16,889,072	6,444,304	4,011,096	2,149,750
In the second to fifth year inclusive	<u>84,343</u>	<u>1,908,000</u>	<u>2,628,304</u>	<u>91,800</u>
	<u><u>16,973,415</u></u>	<u><u>8,352,304</u></u>	<u><u>6,639,400</u></u>	<u><u>2,241,550</u></u>

29. Capital commitments

The Target Group had the following commitments at the balance sheet dates:

		At	At 31 December		
		30 September	2007 2006 2005		
		2008	2007	2006	2005
	<i>Note</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Contracted but not provided, net of deposit paid in the financial statements:					
Purchase of aircraft	<i>(i)</i>	351,747,159	365,385,783	–	–
Conversion work of aircraft	<i>(ii)</i>	157,811,430	–	–	–
Purchase of artworks		–	74,247,500	–	–
Investment project	<i>23</i>	<u>109,340,000</u>	–	–	–
		<u><u>618,898,589</u></u>	<u><u>439,633,283</u></u>	<u><u>–</u></u>	<u><u>–</u></u>

Note:

- (i) On 18 December 2007, the Target Group entered into an agreement to purchase an aircraft at the cost of approximately US\$51.8 million, which is expected to be ready for delivery and fully paid in 2012. On 4 September 2008, an amended agreement was signed and the cost was revised to be approximately US\$50.3 million. At 30 September 2008, the Target Group had paid a deposit of US\$5 million (equivalent to HK\$39,030,000).
- (ii) On 25 September 2008, the Target Group entered into a letter of intent for the conversion work of the aircraft into a corporate jet at a basic cost of approximately EUR14.6 million, with an optional cost of approximately EUR1.6 million for optional work. At 30 September 2008, the Target Group had paid a deposit of EUR0.5 million (equivalent to HK\$5,544,000).

30. Pledge of assets

At the balance sheet dates, certain assets of the Target Group with the following carrying values have been pledged to secure general banking facilities to the Target Group:

	At 30 September	At 31 December		
	2008 HK\$	2007 HK\$	2006 HK\$	2005 HK\$
Bank deposits	3,000,000	3,000,000	3,000,000	3,000,000
Leasehold land and buildings	—	—	78,353,901	80,219,470
	<u>3,000,000</u>	<u>3,000,000</u>	<u>81,353,901</u>	<u>83,219,470</u>

31. Acquisition of subsidiaries

On 19 January 2005, the Target Group acquired the entire share capital of Total Capital Limited for a consideration of HK\$0.6 million. The amount of goodwill as a result of the acquisition was HK\$0.9 million.

On 21 September 2005, the Target Group acquired the entire share capital of Supercapital Investment Limited which principal assets were loans receivable with fair value that approximated their carrying amount of HK\$41 million.

APPENDIX II ACCOUNTANT'S REPORT OF THE HENNABUN GROUP

On 21 December 2005, the Target Group acquired the 100% equity interest of Apex Novel Limited through the acquisition of the entire share capital of Collier Assets Limited at the aggregate consideration of approximately HK\$49 million, which was based on the fair values of the leasehold property and bank loan of approximately HK\$85 million and HK\$36 million respectively at the date of acquisition.

The fair values of the identifiable assets and liabilities of the subsidiaries acquired during the year ended 31 December 2005 have no significant differences from their respective carrying amounts. The net assets acquired in the transactions, and the goodwill arising, are as follows:

	At 31 December 2005 HK\$
Net assets acquired:	
Property, plant and equipment	85,145,698
Loans receivable	41,000,000
Other receivables	76,564
Bank balances and cash	5,910
Creditors and accrued charges	(296,485)
Bank loan	<u>(36,000,000)</u>
	89,931,687
Goodwill arising on acquisition	<u>945,545</u>
Total consideration	<u><u>90,877,232</u></u>
Satisfied by:	
Cash consideration	49,877,232
Issue of New Convertible Notes (<i>note 24(ii)</i>)	<u>41,000,000</u>
	<u><u>90,877,232</u></u>

The acquired subsidiaries did not contribute any turnover or revenue to the Target Group for the year between the date of acquisition and 31 December 2005. There would have been no significant impacts to the Target Group's turnover and revenue had the acquisitions been completed on 1 January 2005.

APPENDIX II ACCOUNTANT'S REPORT OF THE HENNABUN GROUP

Analysis of outflow of cash and cash equivalents in respect of acquisition of subsidiaries:

	At 31 December 2005 HK\$
Cash paid	(49,877,232)
Bank balances and cash acquired	5,910
Net outflow of cash and cash equivalents	(49,871,322)

32. Disposal of subsidiaries

	At			
	30 September	At 31 December		
	2008 HK\$	2007 HK\$	2006 HK\$	2005 HK\$
Net assets disposed of:				
Property, plant and equipment	89,026,528	85,715,907	–	–
Other receivables	20,303,051	68,576	–	–
Loans receivables	–	–	–	351,081,588
Bank balances and cash	–	13,266	–	–
Other payables	(21,122,625)	(15,480)	–	–
Creditors and accrued charges	–	–	–	(265,545)
	88,206,954	85,782,269	–	350,816,043
Goodwill on acquisition realised	–	453,185	–	945,545
Gain (Loss) on disposal of interests in subsidiaries	5,793,046	1,765,326	–	(195,481,588)
Total consideration, satisfied by cash consideration	94,000,000	88,000,780	–	156,280,000

APPENDIX II ACCOUNTANT'S REPORT OF THE HENNABUN GROUP

Analysis of inflow of cash and cash equivalents in respect of disposal of subsidiaries:

	At	At 31 December		
	30 September			
	2008	2007	2006	2005
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Cash consideration	94,000,000	88,000,780	–	156,280,000
Cash and cash equivalents disposed	–	(13,266)	–	–
Net inflow of cash and cash equivalents	94,000,000	87,987,514	–	156,280,000

33. Major non-cash transactions

- (i) Major non-cash transactions for the year ended 31 December 2005 have been disclosed in note 24(ii) and (iii), 26(ii) and (iii).
- (ii) Major non-cash transactions for the period ended 30 September 2007 and year ended 31 December 2007 have been disclosed in note 24 and 26(vi).
- (iii) Major non-cash transactions for the period ended 30 September 2008 have been disclosed in note 36.

34. Loss on investment

In 2007, the Target Group procured an investment project known as “Self-Provided Cargo Train” in the People’s Republic of China (“PRC”) in which the Target Group was told that the joint-investor, China Railway Investment Group Limited, in the PRC had been granted special permit to operate wagon trains on designated routes throughout the entire PRC train network. The Target Group considered the project to have development potential and thus participated in the project by investing a sum of HK\$55 million into a company to be incorporated in Beijing, the PRC.

Having invested the sum for a few months, the Target Group encountered difficulty with the PRC partners in ascertaining the progress of the investment project and the usage of fund so invested. The matter was reported to the Commercial Crime Bureau for further investigation. The Target Group also recognised an investment loss of HK\$55 million for the period ended 30 September 2007 and year ended 31 December 2007. In addition, the directors have sought advice from a PRC legal counsel in order to assist them to assess the value of this investment. During the period ended 30 September 2008, the Guangzhou Intermediate People's Court delivered a judgement ("Judgement") requesting the PRC partners to refund in full HK\$55 million for compensating the investment loss. Later, the PRC partners lodged an appeal against the Judgement and the appeal is still in process.

According to the legal opinion, it is probable that the Target Group will win in this appeal. However, even if the Target Group can eventually win the appeal, it is still in doubt whether the Judgement can be successfully enforceable. Having taken the above development into consideration, the chance of recovering the investment cost is considered remote as at 30 September 2008.

35. Post balance sheet events

Other than disclosed elsewhere in the Financial Information, subsequent to 30 September 2008, the Target Group has had the following post balance sheet events:

- (i) On 10 October 2008, the Target Company entered into a sales and purchase agreement pursuant to which the entire interests in a wholly-owned subsidiary, Sky Vision Enterprises Limited ("Sky Vision"), be transferred to the three shareholders of the Target Company for the exchange of 409,633,334 ordinary shares of the Target Company held by them (the "Exchange"). Immediately after the Exchange, the three individuals would transfer all their respective beneficial interests in Sky Vision shares to a related company or its nominee.
- (ii) During the period ended 30 September 2008, a bankruptcy order was made against a margin loan debtor (the "Bankrupt") of a subsidiary. Since then, an official receiver has been appointed which has, subsequent to 30 September 2008, demanded the subsidiary for the payment of the net amount due to the Bankrupt (the "Claim"). The maximum potential claim of approximately HK\$13 million was recorded as other creditors of the Target Group as at 30 September 2008 and the subsidiary appointed a lawyer to handle the Claim. A director of the Target Company has also given an indemnity in the form of trust money of approximately HK\$13 million to that subsidiary to finance any payment whenever necessary. As a result, the Claim will not cost the Target Group to have any cash outflow with a material financial impact.

APPENDIX II ACCOUNTANT'S REPORT OF THE HENNABUN GROUP

- (iii) Subsequent to 30 September 2008, the Target Group disposed of a subsidiary, Hero City, to a related party. Details of the disposal and Hero City are described in note 23.

36. Related party transactions

Other than disclosed elsewhere in the Financial Information, the following related party transactions were carried out:

Related party relationship	Nature of transaction	Nine months ended		Year ended 31 December		
		30 September		2007	2006	2005
		2008	2007	2007	2006	2005
			(Unaudited)			
		HK\$	HK\$	HK\$	HK\$	HK\$
A major shareholder of the Target Company	Placing commission received	-	-	-	-	690,480
	Financial advisory fee	-	-	-	-	38,000
A wholly owned subsidiaries of the major shareholder	Interest expense	-	-	64,550	8,840,513	5,935,993
	Loan borrowed	-	-	19,000,000	15,000,000	-
A close member of the family of director of the Target Company	Loan borrowed	7,800,000	-	-	-	-
A shareholder of the Target Company	Loan granted	-	-	-	36,500,000	-
	Interest income	-	-	-	450,503	-
A major shareholder of the Target Company	Guarantee for banking facilities	-	-	-	-	30,000,000
A director of the Target Company	Guarantee for banking facilities	30,000,000	30,000,000	30,000,000	78,000,000	66,000,000
	Loan granted	-	-	-	7,500,000	-
	Interest income	-	-	-	18,100	-
	Doubtful debts due by a third party recovered through a director	75,000,000	-	-	-	-
A related company with common director	Commission and brokerage income	-	-	737,474	-	-
A company held by a director	Loans receivable sold (Note 33)	68,473,282	-	-	-	-

37. Contingencies

In 2007, there was a penalty imposed by the Securities and Futures Commission against a wholly-owned subsidiary of the Target Company amounting to HK\$1 million which was subsequently revised to HK\$0.7 million on 12 November 2008. The amount was paid subsequent to 30 September 2008. The Target Group has engaged legal counsel to handle this case.

38. Capital management

The objectives of the Target Group's capital management are to safeguard the entity's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Target Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. No changes were made in the objectives, policies or processes during the Relevant Periods.

The Target Group monitors its adjusted capital, comprised all components of equity. At 30 September 2008, 31 December 2007, 2006 and 2005, the adjusted capital of the Target Group were HK\$310,113,161, HK\$68,621,294, HK\$13,037,098 and HK\$62,661,493 respectively and the Target Group aims to maintain it to a reasonable level.

39. Financial risk management objective and policies

The Target Group's principal financial instruments comprise deposits for acquisition of property, plant and equipment, financial assets at fair value through profit or loss, bank balances and cash, bank overdrafts, interest-bearing borrowings, other accruals and amount due to related parties. Details of these financial instruments are disclosed in the respective notes. The main purpose of these financial instruments is to raise and maintain finance for the Target Group's operations. The Target Group has various other financial instruments such as loans receivable, trade receivables and trade payables, which arise directly from its business activities.

The main risks arising from the Target Group's financial instruments are market risk (including interest rate risk, equity price risk and foreign currency risk), credit risk and liquidity risk. The Target Group does not have any written risk management policies and guidelines. However, the board of directors generally adopts conservative strategies on its risk management and limits the Target Group's exposure to these risks to a minimum. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below. The Target Group also monitors the market price risk arising from all financial instruments.

Market risk

The Target Group's activities expose it primarily to the financial risks of changes in interest rates, equity price and foreign currency risk. There has been no change to the Target Group's exposure to market risks or the manner in which it manages and measures the risk.

(i) Interest rate risk

The Target Group's exposure to market risk for changes in interest rates relates primarily to the Target Group's bank balances, bank overdrafts and interest-bearing borrowings, which are mainly based on the prime rate or the bank saving account rate plus/minus a certain percentage. The interest rates and terms of repayment have been disclosed in the respective notes. The Target Group does not have a specific policy in place but the exposure to the interest rate risk in relation to these financial instruments is monitored on an ongoing basis.

At 30 September 2008, 31 December 2007, 2006 and 2005, if interest rates had been 150 basic point higher/lower and all other variables were held constant, the Target Group's net loss would increase/decrease by HK\$1,520,000/HK\$2,155,000, decrease/increase by HK\$3,540,000/HK\$2,842,000, increase/decrease by HK\$1,093,543 and increase/decrease by HK\$1,334,000 respectively, but there would be no impact on the other equity reserves. This is mainly attributable to the Target Group's exposure to interest rates on its bank balances, loans receivable and interest bearing borrowings.

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 all financial instruments in existence at that date. The 150 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period/year until the next annual balance sheet date. The analysis is performed on the same basis for 2007, 2006 and 2005.

Management considers that the Target Group has limited exposure to interest rate risk relating to margin account balances as these accounts carry fixed rates ranging from 5% to 10% per annum. Under managements' assessment, there would not be significant changes in such fixed rates over the period/year until the next annual balance sheet date.

(ii) Equity price risk

The Target Group is exposed to equity price risk arising from of financial assets at fair value through profit or loss. The management manages this risk exposure by maintaining a portfolio of investments with different risk profiles.

The sensitivity analysis has been determined based on the exposure to equity price risk. At the balance sheet date, if the equity price had been 15% higher/lower while all other variables were held constant, the Target Group's net loss as at 30 September 2008, 31 December 2007, 2006 and 2005 would decrease/increase by HK\$530,570, HK\$270,461, Nil and Nil respectively, but there would be no impact on the other equity reserves. This is mainly attributable to the Target Group's exposure to fair value of financial assets at fair value through profit or loss.

The sensitivity analysis has been determined assuming that the reasonably possible changes in the stock market index or other relevant risk variables had occurred at the balance sheet date and had been applied to the exposure to equity price risk of financial assets at fair value through profit or loss in existence at that date. It is also assumed that the fair values of the Target Group's investments would change in accordance with the historical correlation with the relevant stock market index or the relevant risk variables, and that all other variables remain constant. The stated changes represent management's assessment of reasonably possible changes in the relevant stock market index or the relevant risk variables over the period/year until the next annual balance sheet date. The analysis is performed on the same basis throughout the Relevant Periods.

(iii) Foreign currency risk

The Target Group is exposed to foreign currency risk because of investments in subsidiaries operated outside Hong Kong and capital commitments on the conversion work of aircraft, which are denominated in foreign currencies, principally the Singapore and Euro dollars. The Target Group currently does not have policies to hedge this exposure. Management considers that the Target Group has limited exposure to foreign currency risk since the investments in subsidiaries are not significant at the balance sheet date and Sky Vision, which had the capital commitments, would be subsequently disposed of after 30 September 2008.

Credit risk

The Target Group's credit risk is primarily attributable to its margin loan business and money lending business as the Target Group trades mainly with recognised, creditworthy third parties. It is the Target Group's policy that all customers who wish to trade in securities with the Target Group's margin facilities or borrow money from the Target Group are subject to credit verification procedures. The exposures to the credit risk in relation to these financial assets are monitored on an ongoing basis.

At 30 September 2008, 31 December 2007, 2006 and 2005, the trade receivables are secured by clients' pledged securities with fair value of HK\$742,986,000, HK\$3,068,838,000, HK\$612,042,390 and HK\$381,539,000 respectively. The maximum exposure to credit risk of margin loan is represented by the carrying amount of the trade receivables less the aforesaid market value of pledged securities in the consolidated balance sheet, and the maximum exposure to credit risk of the other financial assets is represented by the carrying amount of each financial asset in the consolidated balance sheet.

No aged analysis of trade receivables is disclosed as in the opinion of the directors, the aged analysis does not give additional value to the risk management of margin loan in view of the nature of the Target Group's margin financing services.

At 30 September 2008, 31 December 2007, 2006 and 2005, the Target Group had a concentration of credit risk as 58%, 42.8%, 42% and 52.8% respectively of the total trade and other receivables was due from the Target Group's ten largest securities clients.

Liquidity risk

The Target Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and interest-bearing borrowing. The Target Group does not have a specific policy in place but the exposure to the liquidity risk in relation to these financial liabilities are monitored on an ongoing basis.

APPENDIX II ACCOUNTANT'S REPORT OF THE HENNABUN GROUP

The maturity profile of the Target Group's financial liabilities at the balance sheet date based on contractual undiscounted payments are summarised below:

	Total	Less than 3 months or on demand	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Year ended 31 December 2005					
Trade and other payables	59,786,727	59,542,480	244,247	–	–
Due to a director	14,000,000	14,000,000	–	–	–
Due to a related company	998,485	998,485	–	–	–
Bank overdrafts	21,424,791	21,424,791	–	–	–
Interest-bearing borrowing	157,159,295	113,302,096	43,857,199	–	–
Convertible Note	231,521,863	–	–	–	231,521,863
	<u>484,891,161</u>	<u>209,267,852</u>	<u>44,101,446</u>	<u>–</u>	<u>231,521,863</u>
Year ended 31 December 2006					
Trade and other payables	32,873,851	31,647,255	1,226,596	–	–
Due to a related company	998,485	998,485	–	–	–
Bank overdrafts	24,792,208	24,792,208	–	–	–
Interest-bearing borrowing	250,399,158	57,115,210	129,057,396	18,460,368	45,766,184
Convertible notes	221,041,863	–	–	–	221,041,863
	<u>530,105,565</u>	<u>114,553,158</u>	<u>130,283,992</u>	<u>18,460,368</u>	<u>266,808,047</u>

APPENDIX II ACCOUNTANT'S REPORT OF THE HENNABUN GROUP

	Total	Less than 3 months or on demand	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Year ended 31 December 2007					
Trade and other payables	226,632,879	226,632,879	–	–	–
Due to a director	20,982,350	20,982,350	–	–	–
Due to a related company	683,555,293	683,555,293	–	–	–
Bank overdrafts	8,186,180	8,186,180	–	–	–
Interest-bearing borrowing	205,391,747	205,391,747	–	–	–
	<u>1,144,748,449</u>	<u>1,144,748,449</u>	<u>–</u>	<u>–</u>	<u>–</u>
Period ended 30 September 2008					
Trade and other payables	27,741,112	27,741,112	–	–	–
Due to a related company	74,163,041	74,163,041	–	–	–
Bank overdrafts	28,371,315	28,371,315	–	–	–
Interest-bearing borrowing	119,643,137	73,650,671	45,992,466	–	–
	<u>249,918,605</u>	<u>203,926,139</u>	<u>45,992,466</u>	<u>–</u>	<u>–</u>

The Target Group will consistently apply a prudent liquidity risk management and ensure that it maintains sufficient cash and cash equivalents to meet its liquidity requirements with reference to the above maturity analysis.

Fair value

The directors of the Target Group consider that the carrying amount of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair value.

III. SUBSEQUENT EVENTS

Save as disclosed elsewhere in this report, there was no other significant event took place subsequent to 30 September 2008.

IV. SUBSEQUENT FINANCIAL INFORMATION

No audited financial statements have been prepared by the Target Group and the Target Company in respect of any period subsequent to 30 September 2008.

Yours faithfully,

Mazars CPA Limited
Certified Public Accountants
Hong Kong

The following is the text of a report received from the reporting accountants of the Company, Ernst and Young, in respect of the unaudited pro forma financial information of the Enlarged Group for the purpose of incorporation in this circular.



30 January 2009

The Directors
Freeman Corporation Limited

Dear Sirs,

Freeman Corporation Limited (the “Company”) and its subsidiaries (the “Group”)

We report on the unaudited pro forma financial information of the Group (the “Unaudited Pro Forma Financial Information”) set out on pages 4 to 39 in Appendix III to the circular of the Company dated 30 January 2009 (the “Circular”) in connection with very substantial acquisition of the Company, which has been prepared by the directors of the Company for illustrative purposes only, to provide information to the shareholders of the Company about how the Hennabun Shares Acquisition and/or the Hennabun Convertible Note Subscription (as defined in the Circular) might have affected the financial information presented in respect of the Group. The basis of preparation of the Unaudited Pro Forma Financial Information is set out on pages 4 to 39 in Appendix III to the Circular.

RESPONSIBILITIES

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

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

BASIS OF OPINION

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

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

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Group had the Hennabun Shares Acquisition and/or the Hennabun Convertible Note Subscription actually occurred as at the dates indicated therein or at any future dates; or
- the results and cash flows of the Group for the year ended 31 March 2008 or any future periods.

OPINION

In our opinion:

- a. the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- b. such basis is consistent with the accounting policies of the Group in respect of the year ended 31 March 2008; 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

Ernst & Young

Certified Public Accountants

18th Floor

Two International Finance Centre

8 Finance Street, Central

Hong Kong

Since the completion of the Hennabun Shares Acquisition and the Hennabun Convertible Note Subscription are not inter-conditional, the financial effect of the Hennabun Shares Acquisition and/or the Hennabun Convertible Note Subscription can be analyzed into three different scenarios, which are (1) completion of the Hennabun Shares Acquisition takes place but completion of the Hennabun Convertible Note Subscription does not take place, (2) completion of the Hennabun Convertible Note Subscription takes place but completion of the Hennabun Shares Acquisition does not take place, and (3) completion of both the Hennabun Shares Acquisition and the Hennabun Convertible Note Subscription take place. The unaudited pro forma financial information in these three scenarios is set out as follows:

(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

(1) Unaudited pro forma consolidated balance sheet of the Enlarged Group

The following is an illustrative and unaudited pro forma consolidated balance sheet of the Enlarged Group which is prepared based on the unaudited consolidated balance sheet of the Group as at 30 September 2008 and the audited consolidated balance sheet of the Hennabun Group as at 30 September 2008, after giving effect to the pro forma adjustments as explained in the notes below, for the purpose of illustrating the effect of the Hennabun Shares Acquisition under scenario (1) on the financial position of the Enlarged Group as if the Hennabun Shares Acquisition under scenario (1) had taken place on 30 September 2008, assuming that there is no conversion or redemption of the FCL Convertible Note.

The unaudited pro forma consolidated balance sheet has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group had the Hennabun Shares Acquisition under scenario (1) been completed as at 30 September 2008 or at any future dates.

APPENDIX III
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP**
Unaudited pro forma consolidated balance sheet of the Enlarged Group
(In HK\$'000)

	The Group as at 30 September 2008 (Note 1)	Hennabun Group as at 30 September 2008 (Note 2)	Pro Forma Adjustments	Notes	Unaudited pro forma Enlarged Group (Note 6)
NON-CURRENT ASSETS					
Property, plant and equipment	30,222	17,757			47,979
Investment properties	92,566	–			92,566
Prepaid land premium	50,376	–			50,376
Available-for-sale investment	17,672	–			17,672
Loans receivable	4,014	–			4,014
Deposits for purchases of investment properties	1,781	–			1,781
Deposits for acquisition of property, plant & equipment (Note 6)	–	44,574			44,574
Other non-current assets	–	2,020			2,020
Other investments	–	74,247			74,247
Intangible assets	–	2,743			2,743
Total Non-Current Assets	196,631	141,341			337,972
CURRENT ASSETS					
Prepayments, deposits and other receivables	5,181	–			5,181
Loans receivable	256,671	–	(45,000)	4	211,671
Investments at fair value through profit or loss	353,307	45,518			398,825
Cash and bank balances	350,209	123,620			473,829
Trade and other receivables	–	215,297			215,297
Deposit for investment project (Note 6)	–	31,240			31,240
Pledged bank deposits	–	3,000			3,000
Total Current Assets	965,368	418,675			1,339,043

APPENDIX III
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP**

	The Group as at 30 September 2008 <i>(Note 1)</i>	Hennabun Group as at 30 September 2008 <i>(Note 2)</i>	Pro Forma Adjustments	<i>Notes</i>	Unaudited pro forma Enlarged Group <i>(Note 6)</i>
CURRENT LIABILITIES					
Trade, other payables and accruals <i>(Note 6)</i>	4,366	40,741			45,107
Interest-bearing bank and other borrowings	5,928	118,000	(45,000)	4	78,928
Derivative component of FCL					
Convertible Note	–	–	55,521	3, 5	55,521
Tax payable	4,706	1,628			6,334
Due to a related company <i>(Note 6)</i>	–	61,163			61,163
Bank overdrafts	–	28,371			28,371
Total Current Liabilities	<u>15,000</u>	<u>249,903</u>			<u>275,424</u>
NET CURRENT ASSETS	<u>950,368</u>	<u>168,772</u>			<u>1,063,619</u>
TOTAL ASSETS LESS					
CURRENT LIABILITIES	<u>1,146,999</u>	<u>310,113</u>			<u>1,401,591</u>
NON-CURRENT LIABILITIES					
Interest-bearing bank borrowing	88,989	–			88,989
Liability component of FCL					
Convertible Note	–	–	50,279	3, 5	50,279
Deferred tax liabilities	2,431	–			2,431
Total Non-Current Liabilities	<u>91,420</u>	<u>–</u>			<u>141,699</u>
Net Assets	<u><u>1,055,579</u></u>	<u><u>310,113</u></u>			<u><u>1,259,892</u></u>
EQUITY					
Equity attributable to equity holders of the Company					
Issued capital	488,659	418,413	(418,413)	3	488,659
Reserves	566,920	(108,300)	108,300	3	566,920
Excess over the cost of business combination <i>(Note 6)</i>	–	–	140,616	3	140,616
Minority interests <i>(Note 6)</i>	–	–	63,697	3	63,697
Total Equity	<u><u>1,055,579</u></u>	<u><u>310,113</u></u>			<u><u>1,259,892</u></u>

Notes:

- (1) The unaudited condensed consolidated balance sheet of the Group as at 30 September 2008 was extracted from the published interim report of the Group for the six months ended 30 September 2008.
- (2) The audited consolidated balance sheet of the Hennabun Group as at 30 September 2008 was extracted from the accountant's report on the Hennabun Group, which is set out in Appendix II to the Circular.
- (3) Adjustments to account for the acquisition of 79.46% interest in the Hennabun Group by the issue of the HK\$105,800,000 FCL Convertible Note and to recognise the estimated discount on acquisition of approximately HK\$140,616,000 in the unaudited pro forma consolidated income statement.
- (4) The Group granted a loan of HK\$45,000,000 to the Hennabun Group in September 2008. The adjustment represents elimination of the Group's loan receivable balance of HK\$45,000,000 owed from the Hennabun Group as at 30 September 2008.
- (5) The adjustment represents the recognition of the derivative and liability components of the FCL Convertible Note based on their estimated fair values of approximately HK\$55,521,000 and HK\$50,279,000, respectively, as at 30 September 2008 as if the Hennabun Shares Acquisition had been completed on 30 September 2008.
- (6) Subsequent to 30 September 2008, the Hennabun Group effected the Hennabun Disposals whereby (i) the Hennabun Group transferred all its interests in Sky Vision to three shareholders of Hennabun for the exchange of 409,633,334 ordinary shares of Hennabun held by them; and (ii) the Hennabun Group disposed of all its interest in Hero City to a related company at a consideration of approximately HK\$31,200,000 by setting off the consideration with the amount owed by the Hennabun Group to that related company. The Hennabun Disposals have not been taken into account of in the above unaudited pro forma consolidated balance sheet. Had the Hennabun Disposals been taken place on 30 September 2008, the financial impact of the Hennabun Disposals on the unaudited pro forma consolidated balance sheet of the Enlarged Group would be as follows:

	<i>HK\$'000</i>
Decrease in deposits for acquisition of property, plant & equipment	(44,574)
Decrease in deposit for investment project	(31,240)
Decrease in trade, other payables and accruals	5
Decrease in an amount due to a related company	31,240
	<hr/>
Net decrease in net assets	<u>(44,569)</u>

APPENDIX III**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP**

HK\$'000

Represented by:	
Decrease in excess over the cost of business combination	(35,415)
Decrease in minority interests	<u>(9,154)</u>
	<u><u>(44,569)</u></u>

The excess over the cost of business combination and minority interests, after taking into consideration of the Hennabun Disposals, would be calculated as follows:

HK\$'000

Estimated net fair value of the identifiable assets and liabilities of the Hennabun Group	310,113
<i>Less:</i> Adjustments for the decrease in net assets following the Hennabun Disposals	<u>(44,569)</u>
Adjusted net fair value of the identifiable assets and liabilities of the Hennabun Group	265,544
<i>Less:</i> 20.54% share attributable to minority interests of the Enlarged Group	<u>(54,543)</u>
Adjusted net assets attributable to the Group as adjusted for the Hennabun Disposals	211,001
<i>Less:</i> Purchase consideration	<u>(105,800)</u>
Estimated excess over the cost of business combination as adjusted for the Hennabun Disposals	<u><u>105,201</u></u>

(2) Unaudited pro forma consolidated income statement of the Enlarged Group

The following is an illustrative and unaudited pro forma consolidated income statement of the Enlarged Group which is prepared based on the audited consolidated income statement of the Group for the year ended 31 March 2008 and the audited consolidated income statement of the Hennabun Group for the year ended 31 December 2007, after giving effect to the pro forma adjustments as explained in the notes below, for the purpose of illustrating the effect of the Hennabun Shares Acquisition under scenario (1) on the results of the Enlarged Group as if the Hennabun Shares Acquisition under scenario (1) had taken place on 1 April 2007, assuming that there is no conversion or redemption of the FCL Convertible Note.

This illustrative pro forma consolidated income statement has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the results of the Enlarged Group for the year ended 31 March 2008 or any future periods had the Hennabun Shares Acquisition under scenario (1) been completed on 1 April 2007 or at any future dates.

APPENDIX III
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP**
Unaudited pro forma consolidated income statement of the Enlarged Group
(In HK\$'000)

	The Group for the year ended 31 March 2008 <i>(Note 1)</i>	Hennabun Group for the year ended 31 December 2007 <i>(Note 2)</i>	Pro forma adjustments	<i>Notes</i>	Unaudited pro forma Enlarged Group
REVENUE	85,340	143,604			228,944
Cost of sales	<u>(7,802)</u>	<u>–</u>			<u>(7,802)</u>
Gross profit	77,538	143,604			221,142
Other income and gains	27,294	114	(2,373)	3	25,035
Gains arising from changes in fair value of investment properties, net	16,130	–			16,130
Fair value losses on investments at fair value through profit or loss, net	(456,450)	(73,299)			(529,749)
Gain on disposal of interests in subsidiaries <i>(Note 7)</i>	–	1,765			1,765
Allowance for bad and doubtful debts	–	(40,032)			(40,032)
Bad debts written off	–	(918)			(918)
Loss on investment	–	(55,000)			(55,000)
General and administrative expenses	(40,829)	(14,410)			(55,239)
Other expenses	(13,981)	(36,478)			(50,459)
Finance costs	(6,059)	(17,762)	(12,005)	3, 6	(35,826)
Excess over the cost of business combination <i>(Note 7)</i>	<u>–</u>	<u>–</u>	140,616	4	<u>140,616</u>
Loss before tax	(396,357)	(92,416)			(362,535)
Tax	<u>(7,351)</u>	<u>–</u>			<u>(7,351)</u>
Loss for the year	<u>(403,708)</u>	<u>(92,416)</u>			<u>(369,886)</u>
Loss attributable to:					
Equity holders of the parent	(403,708)	(92,416)	145,220		(350,904)
Minority interests	<u>–</u>	<u>–</u>	(18,982)	5	<u>(18,982)</u>
	<u>(403,708)</u>	<u>(92,416)</u>			<u>(369,886)</u>

Notes:

- (1) The audited consolidated income statement of the Group for the year ended 31 March 2008 was extracted from the published annual report of the Group for the year ended 31 March 2008.
- (2) The audited consolidated income statement of the Hennabun Group for the year ended 31 December 2007 was extracted from the accountant's report on the Hennabun Group, which is set out in Appendix II to the Circular.
- (3) The adjustments represent the elimination of interest income of HK\$2,373,000 earned from the loans granted to the Hennabun Group during the year ended 31 March 2008.
- (4) Had the Hennabun Shares Acquisition been completed on 1 April 2007, the estimated excess over the cost of business combination shall be calculated as follows:

	<i>HK\$'000</i>
Estimated net fair value of the identifiable assets and liabilities of the Hennabun Group	310,113
<i>Less:</i> 20.54% share attributable to minority interests of the Enlarged Group	<u>(63,697)</u>
Adjusted net assets attributable to the Group	246,416
<i>Less:</i> Purchase consideration	<u>(105,800)</u>
Estimated excess over the cost of business combination	<u><u>140,616</u></u>

- (5) The adjustment represents minority interest's share of loss of the Hennabun Group for the year ended 31 December 2007.
- (6) The adjustment represents the imputed interest expense of HK\$14,378,000 for the year ended 31 March 2008 on the FCL Convertible Note, assuming an effective interest rate of 27.6% per annum, as if the Hennabun Shares Acquisition had been completed on 1 April 2007. This unaudited pro forma adjustment will have continuing income statement effect to the Enlarged Group, and the actual amount will vary according to the timing of the whole or any part of the FCL Convertible Note being converted or redeemed and the applicable effective rate.
- (7) Subsequent to 31 March 2008, the Hennabun Group effected the Hennabun Disposals which have not been taken into account of in the above unaudited pro forma consolidated income statement. Had the Hennabun Disposals been completed on 1 April 2007, (i) a gain of approximately HK\$5,000 would be resulted from the Hennabun Disposals; and (ii) the estimated excess over the cost of business combination arising from the Hennabun Shares Acquisition would be adjusted from HK\$140,616,000 to HK\$105,201,000.

Please refer to note 6 to the unaudited pro forma consolidated balance sheet of the Enlarged Group under scenario (1) for details.

- (8) No adjustments have been made to reflect any trading results or other transactions of the Group and the Hennabun Group entered into subsequent to 31 March 2008.

(3) Unaudited pro forma consolidated cash flow statement of the Enlarged Group

The following is an illustrative and unaudited pro forma consolidated cash flow statement of the Enlarged Group which is prepared based on the audited consolidated cash flow statement of the Group for the year ended 31 March 2008 and the audited consolidated cash flow statement of the Hennabun Group for the year ended 31 December 2007, after giving effect to the pro forma adjustments as explained in the notes below, for the purpose of illustrating the effect of the Hennabun Shares Acquisition under scenario (1) on the cash flows of the Enlarged Group as if the Hennabun Shares Acquisition under scenario (1) had taken place on 1 April 2007, assuming that there is no conversion or redemption of the FCL Convertible Note.

This illustrative pro forma consolidated cash flow statement has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the cash flows of the Enlarged Group for the year ended 31 March 2008 or any future periods had the Hennabun Shares Acquisition under scenario (1) been completed on 1 April 2007 or at any future dates.

APPENDIX III
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP**
Unaudited pro forma consolidated cash flow statement of the Enlarged Group
(In HK\$'000)

	The Group for the year ended 31 March 2008 <i>(Note 1)</i>	Hennabun Group for the year ended 31 December 2007 <i>(Note 2)</i>	Pro forma adjustments	Notes	Unaudited Pro Forma Enlarged Group
CASH FLOW FROM					
OPERATING ACTIVITIES					
Loss before tax	(396,357)	(92,416)	126,238	3, 4, 5	(362,535)
Adjustments for:					
Finance costs	6,059	17,762	12,005	3, 4	35,826
Interest income	(29,569)	–	2,373	3	(27,196)
Depreciation	1,872	5,872			7,744
Recognition of prepaid land premium	247	–			247
Foreign exchange difference arising from available-for- sale investment	126	–			126
Fair value losses on investments at fair value through profit or loss, net	456,450	73,299			529,749
Loss on disposal/write-off of items of property, plant and equipment	30	58			88
Loss on revaluation upon reclassification of an owner-occupied property to an investment property	43	–			43
Loss/(gain) on disposal of subsidiaries	212	(1,765)			(1,553)
Loss on redemption of convertible notes	287	–			287
Allowance for bad and doubtful debts and bad debts written off	–	40,950			40,950
Provision for loss on misappropriation of clients' securities	–	2,500			2,500
Provision for penalty imposed by the Securities and Futures Commission	–	1,500			1,500
Gains arising from changes in fair value of investment properties, net	(16,130)	–			(16,130)
Gain on settlement of other borrowings	(14,545)	–			(14,545)
Impairment of goodwill	12,129	–			12,129
Impairment of other receivables	1,310	–			1,310
Equity-settled share option expenses	11,210	–			11,210
Excess over the cost of business combination	–	–	(140,616)	5	(140,616)
	33,374	47,760			81,134

APPENDIX III
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP**

	The Group for the year ended 31 March 2008 <i>(Note 1)</i>	Hennabun Group for the year ended 31 December 2007 <i>(Note 2)</i>	Pro forma adjustments	<i>Notes</i>	Unaudited Pro Forma Enlarged Group
Decrease/(increase) in loans, trade and other receivables	41,078	(564,980)	20,000	6	(503,902)
Decrease/(increase) in prepayments, deposits and other receivables	20,509	–			20,509
Increase in investments at fair value through profit or loss	(670,235)	–			(670,235)
Decrease in trade and other payables and accruals	(1,515)	143,546			142,031
Due to a director	–	20,982			20,982
Cash used in operations	(576,789)	(352,692)			(909,481)
Interest received	29,569	–			29,569
Interest paid	(3,257)	(19,810)			(23,067)
Net cash outflow from operating activities	<u>(550,477)</u>	<u>(372,502)</u>			<u>(902,979)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of items of property, plant and equipment	(23,437)	(100,254)			(123,691)
Proceeds from disposal of items of property, plant and equipment	410	300			710
Deposits for acquisition of items of property, plant and equipment	–	(39,030)			(39,030)
Purchases of investment properties	(47,553)	–			(47,553)
Additions to prepaid land premium	(38,711)	–			(38,711)
Net purchases of investments at fair value through profit or loss	–	(156,854)			(156,854)
Cash contribution to Central Clearing and Settlement System Guarantee Fund	–	(40)			(40)
Proceeds from disposal of an associate	50,000	–			50,000
Disposal of subsidiaries	5,994	87,987			93,981
Purchase of available-for-sale investment	(19,586)	–			(19,586)
Net cash outflow from investing activities	<u>(72,883)</u>	<u>(207,891)</u>			<u>(280,774)</u>

APPENDIX III
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP**

	The Group for the year ended 31 March 2008 <i>(Note 1)</i>	Hennabun Group for the year ended 31 December 2007 <i>(Note 2)</i>	Pro forma adjustments	<i>Notes</i>	Unaudited Pro Forma Enlarged Group
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from placement of new shares and/or rights issue	515,051	17,000			532,051
Proceeds from issue of convertible notes	243,406	–			243,406
Proceeds from exercise of share options	35,046	–			35,046
Share issue expenses	(12,503)	–			(12,503)
Drawdown of bank and other borrowings	62,287	548,550	(20,000)	6	590,837
Repayment of bank and other borrowings	(8,904)	(519,050)			(527,954)
Advance from a related company	–	682,557			682,557
Redemption of convertible notes	(5,000)	–			(5,000)
	<u>829,383</u>	<u>729,057</u>			<u>1,538,440</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS					
Cash and cash equivalents at beginning of year	72,626	22,097			94,723
	<u>278,649</u>	<u>170,761</u>			<u>449,410</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR					
	<u>278,649</u>	<u>170,761</u>			<u>449,410</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS					
Cash and bank balances	278,649	175,947			454,596
Pledged bank deposits	–	3,000			3,000
Bank overdrafts	–	(8,186)			(8,186)
	<u>278,649</u>	<u>170,761</u>			<u>449,410</u>

Notes:

- (1) The audited consolidated cash flow statement of the Group for the year ended 31 March 2008 was extracted from the published annual report of the Group for the year ended 31 March 2008.
- (2) The audited consolidated cash flow statement of the Hennabun Group for the year ended 31 December 2007 was extracted from the accountant's report on the Hennabun Group, which is set out in Appendix II to the Circular.
- (3) The adjustment represents elimination of interest income of HK\$2,373,000 earned from the loans granted to the Hennabun Group during the year ended 31 March 2008.
- (4) The adjustment represents the imputed interest expense of HK\$14,378,000 for the year ended 31 March 2008 on the FCL Convertible Note, assuming an effective interest rate of 27.6% per annum, as if the Hennabun Shares Acquisition had been completed on 1 April 2007.

This unaudited pro forma adjustment will have continuing cash flow statement effect to the Enlarged Group, and the actual amount will vary according to the timing of the whole or any part of the FCL Convertible Note being converted or redeemed and the applicable effective rate.

- (5) The adjustment represents the estimated excess over the cost of business combination arising from the Hennabun Shares Acquisition had the Hennabun Shares Acquisition been completed on 1 April 2007.
- (6) The adjustment represents elimination of the Group's loan receivable balance of HK\$20,000,000 granted to the Hennabun Group during the year ended 31 March 2008.
- (7) No adjustments have been made to reflect any trading results or other transactions of the Group and the Hennabun Group entered into subsequent to 31 March 2008.

(B) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP**(1) Unaudited pro forma consolidated balance sheet of the Group**

The following is an illustrative and unaudited pro forma consolidated balance sheet of the Group which is prepared based on the unaudited consolidated balance sheet of the Group as at 30 September 2008, after giving effect to the pro forma adjustments as explained in the notes below, for the purpose of illustrating the effect of the Hennabun Convertible Note Subscription under scenario (2) on the financial position of the Group as if the Hennabun Convertible Note Subscription under scenario (2) had taken place on 30 September 2008, assuming that there is no conversion or redemption of the Hennabun Convertible Note.

The unaudited pro forma consolidated balance sheet has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Hennabun Convertible Note Subscription under scenario (2) been completed as at 30 September 2008 or at any future dates.

Unaudited pro forma consolidated balance sheet of the Group*(In HK\$'000)*

	The Group as at 30 September 2008 (Note 1)	Pro Forma Adjustment	<i>Note</i>	Unaudited pro forma The Group
NON-CURRENT ASSETS				
Property, plant and equipment	30,222			30,222
Investment properties	92,566			92,566
Prepaid land premium	50,376			50,376
Available-for-sale investment	17,672			17,672
Loans receivable	4,014			4,014
Deposits for purchases of investment properties	1,781			1,781
Investments at fair value through profit or loss	—	250,000	2	250,000
Total Non-Current Assets	196,631			446,631
CURRENT ASSETS				
Prepayments, deposits and other receivables	5,181			5,181
Loans receivable	256,671			256,671
Investments at fair value through profit or loss	353,307			353,307
Cash and bank balances	350,209	(250,000)	2	100,209
Total Current Assets	965,368			715,368

APPENDIX III
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP**

	The Group as at 30 September 2008 (Note 1)	Pro Forma Adjustment	<i>Note</i>	Unaudited pro forma The Group
CURRENT LIABILITIES				
Trade, other payables and accruals	4,366			4,366
Interest-bearing bank borrowings	5,928			5,928
Tax payable	4,706			4,706
Total Current Liabilities	<u>15,000</u>			<u>15,000</u>
NET CURRENT ASSETS	<u>950,368</u>			<u>700,368</u>
TOTAL ASSETS LESS CURRENT LIABILITIES				
	<u>1,146,999</u>			<u>1,146,999</u>
NON-CURRENT LIABILITIES				
Interest-bearing bank borrowings	88,989			88,989
Deferred tax liabilities	2,431			2,431
Total Non-Current Liabilities	<u>91,420</u>			<u>91,420</u>
Net Assets	<u><u>1,055,579</u></u>			<u><u>1,055,579</u></u>
EQUITY				
Equity attributable to equity holders of the Company				
Issued capital	488,659			488,659
Reserves	566,920			566,920
Total Equity	<u><u>1,055,579</u></u>			<u><u>1,055,579</u></u>

Notes:

- (1) The unaudited condensed consolidated balance sheet of the Group as at 30 September 2008 was extracted from the published interim report of the Group for the six months ended 30 September 2008.
- (2) The adjustment reflects the subscription of Hennabun Convertible Note with a cash consideration of HK\$250,000,000 as if the Hennabun Convertible Note Subscription had been completed on 30 September 2008.

(2) Unaudited pro forma consolidated income statement of the Group

The following is an illustrative and unaudited pro forma consolidated income statement of the Group which is prepared based on the audited consolidated income statement of the Group for the year ended 31 March 2008, after giving effect to the pro forma adjustments as explained in the notes below, for the purpose of illustrating the effect of the Hennabun Convertible Note Subscription under scenario (2) on the results of the Group as if the Hennabun Convertible Note Subscription under scenario (2) had taken place on 1 April 2007, assuming that there is no conversion or redemption of the Hennabun Convertible Note.

This illustrative pro forma consolidated income statement has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the results of the Group for the year ended 31 March 2008 or any future periods had the Hennabun Convertible Note Subscription under scenario (2) been completed on 1 April 2007 or at any future dates.

APPENDIX III**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP****Unaudited pro forma consolidated income statement of the Group**
(In HK\$'000)

	The Group for the year ended 31 March 2008 (Note 1)	Pro forma adjustments	<i>Notes</i>	Unaudited pro forma The Group
REVENUE	85,340			85,340
Cost of sales	<u>(7,802)</u>			<u>(7,802)</u>
Gross profit	77,538			77,538
Other income and gains	27,294	12,500	2	39,794
Gains arising from changes in fair value of investment properties, net	16,130			16,130
Fair value losses on investments at fair value through profit or loss, net	(456,450)	(48,125)	3	(504,575)
General and administrative expenses	(40,829)			(40,829)
Other expenses	(13,981)			(13,981)
Finance costs	<u>(6,059)</u>			<u>(6,059)</u>
LOSS BEFORE TAX	(396,357)			(431,982)
Tax	<u>(7,351)</u>			<u>(7,351)</u>
LOSS FOR THE YEAR	<u><u>(403,708)</u></u>			<u><u>(439,333)</u></u>

Notes:

- (1) The audited consolidated income statement of the Group for the year ended 31 March 2008 was extracted from the published annual report of the Group for the year ended 31 March 2008.
- (2) The adjustment represents the interest income for the year ended 31 March 2008 on the Hennabun Convertible Note based on its coupon rate of 5% per annum as if the Hennabun Convertible Note Subscription had been completed on 1 April 2007.

This unaudited pro forma adjustment will have continuing income statement effect to the Group, and the actual amount will vary according to the timing of the whole or any part of the Hennabun Convertible Note being converted or redeemed and the applicable coupon rate.

- (3) The adjustment represents the fair value loss for the year ended 31 March 2008 on the Hennabun Convertible Note as if the Hennabun Convertible Note Subscription had been completed on 1 April 2007. The estimated fair value of the Hennabun Convertible Note as at 30 September 2008 is approximately HK\$201,875,000. A fair value loss of approximately HK\$48,125,000 is therefore resulted when compared to the cash consideration of HK\$250,000,000 for the Hennabun Convertible Note Subscription.

(3) Unaudited pro forma consolidated cash flow statement of the Group

The following is an illustrative and unaudited pro forma consolidated cash flow statement of the Group which is prepared based on the audited consolidated cash flow statement of the Group for the year ended 31 March 2008, after giving effect to the pro forma adjustments as explained in the notes below, for the purpose of illustrating the effect of the Hennabun Convertible Note Subscription under scenario (2) on the cash flows of the Group as if the Hennabun Convertible Note Subscription under scenario (2) had taken place on 1 April 2007, assuming that there is no conversion or redemption of the Hennabun Convertible Note.

This illustrative pro forma consolidated cash flow statement has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the cash flows of the Group for the year ended 31 March 2008 or any future periods had the Hennabun Convertible Note Subscription under scenario (2) been completed on 1 April 2007 or at any future dates.

Unaudited pro forma consolidated cash flow statement of the Group
(In HK\$'000)

	The Group for the year ended 31 March 2008 (Note 1)	Pro forma adjustments	<i>Notes</i>	Unaudited Pro Forma The Group
CASH FLOW FROM OPERATING ACTIVITIES				
Loss before tax	(396,357)	(35,625)	2, 3	(431,982)
Adjustments for:				
Finance costs	6,059			6,059
Interest income	(29,569)	(12,500)	2	(42,069)
Depreciation	1,872			1,872
Recognition of prepaid land premium	247			247
Foreign exchange difference arising from available-for-sale investment	126			126
Fair value losses on investments at fair value through profit or loss, net	456,450	48,125	3	504,575
Loss on disposal/write-off of items of property, plant and equipment	30			30
Loss on revaluation upon reclassification of an owner- occupied property to an investment property	43			43
Loss on disposal of subsidiaries	212			212
Loss on redemption of convertible notes	287			287
Gains arising from changes in fair value of investment properties, net	(16,130)			(16,130)
Gain on settlement of other borrowings	(14,545)			(14,545)
Impairment of goodwill	12,129			12,129
Impairment of other receivables	1,310			1,310
Equity-settled share option expenses	11,210			11,210
	<u>33,374</u>			<u>33,374</u>

APPENDIX III**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP**

	The Group for the year ended 31 March 2008 (Note 1)	Pro forma adjustments	<i>Notes</i>	Unaudited Pro Forma The Group
Decrease in loans receivable	41,078			41,078
Decrease in prepayments, deposits and other receivables	20,509			20,509
Increase in investments at fair value through profit or loss	(670,235)			(670,235)
Decrease in trade and other payables and accruals	<u>(1,515)</u>			<u>(1,515)</u>
Cash used in operations	(576,789)			(576,789)
Interest received	29,569			29,569
Interest paid	<u>(3,257)</u>			<u>(3,257)</u>
Net cash outflow from operating activities	<u>(550,477)</u>			<u>(550,477)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of items of property, plant and equipment	(23,437)			(23,437)
Proceeds from disposal of items of property, plant and equipment	410			410
Purchases of investment properties	(47,553)			(47,553)
Additions to prepaid land premium	(38,711)			(38,711)
Proceeds from disposal of an associate	50,000			50,000
Disposal of subsidiaries	5,994			5,994
Purchase of an investment at fair value through profit or loss	–	(250,000)	4	(250,000)
Purchase of available-for-sale investment	<u>(19,586)</u>			<u>(19,586)</u>
Net cash outflow from investing activities	<u>(72,883)</u>			<u>(322,883)</u>

APPENDIX III
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP**

	The Group for the year ended 31 March 2008 (Note 1)	Pro forma adjustments	<i>Notes</i>	Unaudited Pro Forma The Group
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from placement of new shares and rights issue	515,051			515,051
Proceeds from issue of convertible notes	243,406			243,406
Proceeds from exercise of share options	35,046			35,046
Share issue expenses	(12,503)			(12,503)
Drawdown of bank and other borrowings	62,287			62,287
Repayment of bank and other borrowings	(8,904)			(8,904)
Redemption of convertible notes	<u>(5,000)</u>			<u>(5,000)</u>
Net cash inflow from financing activities	<u>829,383</u>			<u>829,383</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS				
Cash and cash equivalents at beginning of year	<u>72,626</u>			<u>72,626</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR				
	<u>278,649</u>			<u>28,649</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and bank balances	<u>278,649</u>	(250,000)	4	<u>28,649</u>

Notes:

- (1) The audited consolidated cash flow statement of the Group for the year ended 31 March 2008 was extracted from the published annual report of the Group for the year ended 31 March 2008.
- (2) The adjustment represents the interest income for the year ended 31 March 2008 on the Hennabun Convertible Note based on its coupon rate of 5% per annum as if the Hennabun Convertible Note Subscription had been completed on 1 April 2007. This unaudited pro forma adjustment will have continuing cash flow statement effect to the Group, and the actual amount will vary according to the timing of the whole or any part of the Hennabun Convertible Note being converted or redeemed and the applicable coupon rate.
- (3) The adjustment represents the fair value loss for the year ended 31 March 2008 on the Hennabun Convertible Note as if the Hennabun Convertible Note Subscription had been completed on 1 April 2007. The estimated fair value of the Hennabun Convertible Note as at 30 September 2008 is approximately HK\$201,875,000. A fair value loss of approximately HK\$48,125,000 is therefore resulted when compared to the cash consideration of HK\$250,000,000 for the Hennabun Convertible Note Subscription.
- (4) The adjustment reflects the subscription of Hennabun Convertible Note with a cash consideration of HK\$250,000,000 as if the Hennabun Convertible Note Subscription had been completed on 1 April 2007.

**(C) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED
GROUP****(1) Unaudited pro forma consolidated balance sheet of the Enlarged Group**

The following is an illustrative and unaudited pro forma consolidated balance sheet of the Enlarged Group which is prepared based on the unaudited consolidated balance sheet of the Group as at 30 September 2008 and the audited consolidated balance sheet of the Hennabun Group as at 30 September 2008, after giving effect to the pro forma adjustments as explained in the notes below, for the purpose of illustrating the effect of the Hennabun Shares Acquisition and the Hennabun Convertible Note Subscription under scenario (3) on the financial position of the Enlarged Group as if the Hennabun Shares Acquisition and the Hennabun Convertible Note Subscription under scenario (3) had taken place on 30 September 2008, assuming that there is no conversion or redemption of the FCL Convertible Note and the Hennabun Convertible Note.

The unaudited pro forma consolidated balance sheet has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group had the Hennabun Shares Acquisition and the Hennabun Convertible Note Subscription under scenario (3) been completed as at 30 September 2008 or at any future dates.

APPENDIX III**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP****Unaudited pro forma consolidated balance sheet of the Enlarged Group**
(In HK\$'000)

	The Group as at 30 September 2008 (Note 1)	Hennabun Group as at 30 September 2008 (Note 2)	Pro Forma Adjustments	Notes	Unaudited pro forma Enlarged Group (Note 6)
NON-CURRENT ASSETS					
Property, plant and equipment	30,222	17,757			47,979
Investment properties	92,566	–			92,566
Prepaid land premium	50,376	–			50,376
Available-for-sale investment	17,672	–			17,672
Loans receivable	4,014	–			4,014
Deposits for purchases of investment properties	1,781	–			1,781
Deposits for acquisition of property, plant & equipment (Note 6)	–	44,574			44,574
Other non-current assets	–	2,020			2,020
Other investments	–	74,247			74,247
Intangible assets	–	2,743			2,743
Total Non-Current Assets	<u>196,631</u>	<u>141,341</u>			<u>337,972</u>
CURRENT ASSETS					
Prepayments, deposits and other receivables	5,181	–			5,181
Loans receivable	256,671	–	(45,000)	4	211,671
Investments at fair value through profit or loss	353,307	45,518			398,825
Cash and bank balances	350,209	123,620			473,829
Trade and other receivables	–	215,297			215,297
Deposit for investment project (Note 6)	–	31,240			31,240
Pledged bank deposits	–	3,000			3,000
Total Current Assets	<u>965,368</u>	<u>418,675</u>			<u>1,339,043</u>

APPENDIX III
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP**

	The Group as at 30 September 2008 <i>(Note 1)</i>	Hennabun Group as at 30 September 2008 <i>(Note 2)</i>	Pro Forma Adjustments	<i>Notes</i>	Unaudited pro forma Enlarged Group <i>(Note 6)</i>
CURRENT LIABILITIES					
Trade, other payables and accruals <i>(Note 6)</i>	4,366	40,741			45,107
Interest-bearing bank and other borrowings	5,928	118,000	(45,000)	4	78,928
Derivative component of FCL					
Convertible Note	–	–	55,521	3, 5	55,521
Tax payable	4,706	1,628			6,334
Due to a related company <i>(Note 6)</i>	–	61,163			61,163
Bank overdrafts	–	28,371			28,371
	<u>15,000</u>	<u>249,903</u>			<u>275,424</u>
Total Current Liabilities	<u>15,000</u>	<u>249,903</u>			<u>275,424</u>
NET CURRENT ASSETS	<u>950,368</u>	<u>168,772</u>			<u>1,063,619</u>
TOTAL ASSETS LESS					
CURRENT LIABILITIES	<u>1,146,999</u>	<u>310,113</u>			<u>1,401,591</u>
NON-CURRENT LIABILITIES					
Interest-bearing bank borrowing	88,989	–			88,989
Liability component of FCL					
Convertible Note	–	–	50,279	3, 5	50,279
Deferred tax liabilities	2,431	–			2,431
	<u>91,420</u>	<u>–</u>			<u>141,699</u>
Total Non-Current Liabilities	<u>91,420</u>	<u>–</u>			<u>141,699</u>
Net Assets	<u><u>1,055,579</u></u>	<u><u>310,113</u></u>			<u><u>1,259,892</u></u>
EQUITY					
Equity attributable to equity holders of the Company					
Issued capital	488,659	418,413	(418,413)	3	488,659
Reserves	566,920	(108,300)	108,300	3	566,920
Excess over the cost of business combination <i>(Note 6)</i>	–	–	140,616	3	140,616
Minority interests <i>(Note 6)</i>	–	–	63,697	3	63,697
	<u>1,055,579</u>	<u>310,113</u>			<u>1,259,892</u>
Total Equity	<u><u>1,055,579</u></u>	<u><u>310,113</u></u>			<u><u>1,259,892</u></u>

Notes:

- (1) The unaudited condensed consolidated balance sheet of the Group as at 30 September 2008 was extracted from the published interim report of the Group for the six months ended 30 September 2008.
- (2) The audited consolidated balance sheet of the Hennabun Group as at 30 September 2008 was extracted from the accountant's report on the Hennabun Group, which is set out in Appendix II to the Circular.
- (3) Adjustments to account for the acquisition of 79.46% interest in the Hennabun Group by the issue of the HK\$105,800,000 FCL Convertible Note and to recognise the estimated discount on acquisition of approximately HK\$140,616,000 in the unaudited pro forma consolidated income statement.
- (4) The Group granted a loan of HK\$45,000,000 to the Hennabun Group in September 2008. The adjustment represents elimination of the Group's loan receivable balance of HK\$45,000,000 owed from the Hennabun Group as at 30 September 2008.
- (5) The adjustment represents the recognition of the derivative and liability components of the FCL Convertible Note based on their estimated fair values of approximately HK\$55,521,000 and HK\$50,279,000, respectively, as at 30 September 2008 as if the Hennabun Shares Acquisition had been completed on 30 September 2008.
- (6) Subsequent to 30 September 2008, the Hennabun Group effected the Hennabun Disposals whereby (i) the Hennabun Group transferred all its interests in Sky Vision to three shareholders of Hennabun for the exchange of 409,633,334 ordinary shares of Hennabun held by them; and (ii) the Hennabun Group disposed of all its interest in Hero City to a related company at a consideration of approximately HK\$31,200,000 by setting off the consideration with the amount owed by the Hennabun Group to that related company. The Hennabun Disposals have not been taken into account of in the above unaudited pro forma consolidated balance sheet. Had the Hennabun Disposals been completed on 30 September 2008, the financial impact of the Hennabun Disposals on the unaudited pro forma consolidated balance sheet of the Enlarged Group would be as follows:

	<i>HK\$'000</i>
Decrease in deposits for acquisition of property, plant & equipment	(44,574)
Decrease in deposit for investment project	(31,240)
Decrease in trade, other payables and accruals	5
Decrease in an amount due to a related company	<u>31,240</u>
Net decrease in net assets	<u><u>(44,569)</u></u>

APPENDIX III**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP**

HK\$'000

Represented by:	
Decrease in excess over the cost of business combination	(35,415)
Decrease in minority interests	<u>(9,154)</u>
	<u><u>(44,569)</u></u>

The excess over the cost of business combination and minority interests, after taking into consideration of the Hennabun Disposals, would be calculated as follows:

HK\$'000

Estimated net fair value of the identifiable assets and liabilities of the Hennabun Group	310,113
<i>Less:</i> Adjustments for the decrease in net assets following the Hennabun Disposals	<u>(44,569)</u>
Adjusted net fair value of the identifiable assets and liabilities of the Hennabun Group	265,544
<i>Less:</i> 20.54% share attributable to minority interests of the Enlarged Group	<u>(54,543)</u>
Adjusted net assets attributable to the Group as adjusted for the Hennabun Disposals	211,001
<i>Less:</i> Purchase consideration	<u>(105,800)</u>
Estimated excess over the cost of business combination as adjusted for the Hennabun Disposals	<u><u>105,201</u></u>

(2) Unaudited pro forma consolidated income statement of the Enlarged Group

The following is an illustrative and unaudited pro forma consolidated income statement of the Enlarged Group which is prepared based on the audited consolidated income statement of the Group for the year ended 31 March 2008 and the audited consolidated income statement of the Hennabun Group for the year ended 31 December 2007, after giving effect to the pro forma adjustments as explained in the notes below, for the purpose of illustrating the effect of the Hennabun Shares Acquisition and the Hennabun Convertible Note Subscription under scenario (3) on the results of the Enlarged Group as if the Hennabun Shares Acquisition and the Hennabun Convertible Note Subscription under scenario (3) had taken place on 1 April 2007, assuming that there is no conversion or redemption of the FCL Convertible Note and the Hennabun Convertible Note.

This illustrative pro forma consolidated income statement has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the results of the Enlarged Group for the year ended 31 March 2008 or any future periods had the Hennabun Shares Acquisition and the Hennabun Convertible Note Subscription under scenario (3) been completed on 1 April 2007 or at any future dates.

APPENDIX III
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP**
Unaudited pro forma consolidated income statement of the Enlarged Group
(In HK\$'000)

	The Group for the year ended 31 March 2008 (Note 1)	Hennabun Group for the year ended 31 December 2007 (Note 2)	Pro forma adjustments	Notes	Unaudited pro forma Enlarged Group
REVENUE	85,340	143,604			228,944
Cost of sales	<u>(7,802)</u>	<u>–</u>			<u>(7,802)</u>
Gross profit	77,538	143,604			221,142
Other income and gains	27,294	114	(2,373)	3	25,035
Gains arising from changes in fair value of investment properties, net	16,130	–			16,130
Fair value losses on investments at fair value through profit or loss, net	(456,450)	(73,299)			(529,749)
Gain on disposal of interests in subsidiaries (Note 7)	–	1,765			1,765
Allowance for bad and doubtful debts	–	(40,032)			(40,032)
Bad debts written off	–	(918)			(918)
Loss on investment	–	(55,000)			(55,000)
General and administrative expenses	(40,829)	(14,410)			(55,239)
Other expenses	(13,981)	(36,478)			(50,459)
Finance costs	(6,059)	(17,762)	(12,005)	3, 6	(35,826)
Excess over the cost of business combination (Note 7)	<u>–</u>	<u>–</u>	140,616	4	<u>140,616</u>
Loss before tax	(396,357)	(92,416)			(362,535)
Tax	<u>(7,351)</u>	<u>–</u>			<u>(7,351)</u>
Loss for the year	<u>(403,708)</u>	<u>(92,416)</u>			<u>(369,886)</u>
Loss attributable to:					
Equity holders of the parent	(403,708)	(92,416)	147,788		(348,336)
Minority interests	<u>–</u>	<u>–</u>	(21,550)	5	<u>(21,550)</u>
	<u>(403,708)</u>	<u>(92,416)</u>			<u>(369,886)</u>

Notes:

- (1) The audited consolidated income statement of the Group for the year ended 31 March 2008 was extracted from the published annual report of the Group for the year ended 31 March 2008.
- (2) The audited consolidated income statement of the Hennabun Group for the year ended 31 December 2007 was extracted from the accountant's report on the Hennabun Group, which is set out in Appendix II to the Circular.
- (3) The adjustments represent the elimination of interest income of HK\$2,373,000 earned from the loans granted to the Hennabun Group during the year ended 31 March 2008.
- (4) Had the Hennabun Shares Acquisition been completed on 1 April 2007, the estimated excess over the cost of business combination shall be calculated as follows:

	<i>HK\$'000</i>
Estimated net fair value of the identifiable assets and liabilities of the Hennabun Group	310,113
<i>Less:</i> 20.54% share attributable to minority interests of the Enlarged Group	<u>(63,697)</u>
Adjusted net assets attributable to the Group	246,416
<i>Less:</i> Purchase consideration	<u>(105,800)</u>
Estimated excess over the cost of business combination	<u><u>140,616</u></u>

- (5) The adjustment represents minority interest's share of the loss of the Hennabun Group as adjusted for the interest expense on the Hennabun Convertible Note for the year ended 31 December 2007 calculated as follows:

	<i>HK\$'000</i>
Loss of the Hennabun Group for the year ended 31 December 2007	(92,416)
<i>Add:</i> Interest expense on the Hennabun Convertible Note based on its coupon rate of 5% as if the Hennabun Convertible Note Subscription had been completed on 1 April 2007	<u>(12,500)</u>
Adjusted loss of the Hennabun Group	<u>(104,916)</u>
20.54% share of loss attributable to the minority interests of Hennabun	<u><u>(21,550)</u></u>

- (6) The adjustment represents the imputed interest expense of HK\$14,378,000 for the year ended 31 March 2008 on the FCL Convertible Note, assuming an effective interest rate of 27.6% per annum, as if the Hennabun Shares Acquisition had been completed on 1 April 2007. This unaudited pro forma adjustment will have continuing income statement effect to the Enlarged Group, and the actual amount will vary according to the timing of the whole or any part of the FCL Convertible Note being converted or redeemed and the applicable effective rate.
- (7) Subsequent to 31 March 2008, the Hennabun Group effected the Hennabun Disposals which have not been taken into account of in the above unaudited pro forma consolidated income statement. Had the Hennabun Disposals been completed on 1 April 2007, (i) a gain of approximately HK\$5,000 would be resulted from the Hennabun Disposals; and (ii) the estimated excess over the cost of business combination arising from the Hennabun Shares Acquisition would be adjusted from HK\$140,616,000 to HK\$105,201,000.

Please refer to note 6 to the unaudited pro forma consolidated balance sheet of the Enlarged Group under scenario (3) for details.

- (8) No adjustments have been made to reflect any trading results or other transactions of the Group and the Hennabun Group entered into subsequent to 31 March 2008.

(3) Unaudited pro forma consolidated cash flow statement of the Enlarged Group

The following is an illustrative and unaudited pro forma consolidated cash flow statement of the Enlarged Group which is prepared based on the audited consolidated cash flow statement of the Group for the year ended 31 March 2008 and the audited consolidated cash flow statement of the Hennabun Group for the year ended 31 December 2007, after giving effect to the pro forma adjustments as explained in the notes below, for the purpose of illustrating the effect of the Hennabun Shares Acquisition and the Hennabun Convertible Note Subscription under scenario (3) on the cash flows of the Enlarged Group as if the Hennabun Shares Acquisition and the Hennabun Convertible Note Subscription under scenario (3) had taken place on 1 April 2007, assuming that there is no conversion or redemption of the FCL Convertible Note and the Hennabun Convertible Note.

This illustrative pro forma consolidated cash flow statement has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the cash flows of the Enlarged Group for the year ended 31 March 2008 or any future periods had the Hennabun Shares Acquisition and the Hennabun Convertible Note Subscription under scenario (3) been completed on 1 April 2007 or at any future dates.

APPENDIX III
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP**
Unaudited pro forma consolidated cash flow statement of the Enlarged Group
(In HK\$'000)

	The Group for the year ended 31 March 2008 (Note 1)	Hennabun Group for the year ended 31 December 2007 (Note 2)	Pro forma adjustments	Notes	Unaudited Pro Forma Enlarged Group
CASH FLOW FROM OPERATING ACTIVITIES					
Loss before tax	(396,357)	(92,416)	126,238	3, 4, 5	(362,535)
Adjustments for:					
Finance costs	6,059	17,762	12,005	3, 4	35,826
Interest income	(29,569)	–	2,373	3	(27,196)
Depreciation	1,872	5,872			7,744
Recognition of prepaid land premium	247	–			247
Foreign exchange difference arising from available-for-sale investment	126	–			126
Fair value losses on investments at fair value through profit or loss, net	456,450	73,299			529,749
Loss on disposal/write-off of items of property, plant and equipment	30	58			88
Loss on revaluation upon reclassification of an owner- occupied property to an investment property	43	–			43
Loss/(gain) on disposal of subsidiaries	212	(1,765)			(1,553)
Loss on redemption of convertible notes	287	–			287
Allowance for bad and doubtful debts and bad debts written off	–	40,950			40,950
Provision for loss on misappropriation of clients' securities	–	2,500			2,500
Provision for penalty imposed by the Securities and Futures Commission	–	1,500			1,500
Gains arising from changes in fair value of investment properties, net	(16,130)	–			(16,130)
Gain on settlement of other borrowings	(14,545)	–			(14,545)
Impairment of goodwill	12,129	–			12,129
Impairment of other receivables	1,310	–			1,310
Equity-settled share option expenses	11,210	–			11,210
Excess over the cost of business combination	–	–	(140,616)	5	(140,616)
	33,374	47,760			81,134

APPENDIX III
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP**

	The Group for the year ended 31 March 2008 <i>(Note 1)</i>	Hennabun Group for the year ended 31 December 2007 <i>(Note 2)</i>	Pro forma adjustments	<i>Notes</i>	Unaudited Pro Forma Enlarged Group
Decrease/(increase) in loans, trade and other receivables	41,078	(564,980)	20,000	6	(503,902)
Decrease/(increase) in prepayments, deposits and other receivables	20,509	–			20,509
Increase in investments at fair value through profit or loss	(670,235)	–			(670,235)
Decrease in trade and other payables and accruals	(1,515)	143,546			142,031
Due to a director	–	20,982			20,982
Cash used in operations	(576,789)	(352,692)			(909,481)
Interest received	29,569	–			29,569
Interest paid	(3,257)	(19,810)			(23,067)
Net cash outflow from operating activities	<u>(550,477)</u>	<u>(372,502)</u>			<u>(902,979)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of items of property, plant and equipment	(23,437)	(100,254)			(123,691)
Proceeds from disposal of items of property, plant and equipment	410	300			710
Deposits for acquisition of items of property, plant and equipment	–	(39,030)			(39,030)
Purchases of investment properties	(47,553)	–			(47,553)
Additions to prepaid land premium	(38,711)	–			(38,711)
Net purchases of investments at fair value through profit or loss	–	(156,854)			(156,854)
Cash contribution to Central Clearing and Settlement System Guarantee Fund	–	(40)			(40)
Proceeds from disposal of an associate	50,000	–			50,000
Disposal of subsidiaries	5,994	87,987			93,981
Purchase of available-for-sale investment	(19,586)	–			(19,586)
Net cash outflow from investing activities	<u>(72,883)</u>	<u>(207,891)</u>			<u>(280,774)</u>

APPENDIX III
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP**

	The Group for the year ended 31 March 2008 <i>(Note 1)</i>	Hennabun Group for the year ended 31 December 2007 <i>(Note 2)</i>	Pro forma adjustments	<i>Notes</i>	Unaudited Pro Forma Enlarged Group
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from placement of new shares and/or rights issue	515,051	17,000			532,051
Proceeds from issue of convertible notes	243,406	–			243,406
Proceeds from exercise of share options	35,046	–			35,046
Share issue expenses	(12,503)	–			(12,503)
Drawdown of bank and other borrowings	62,287	548,550	(20,000)	6	590,837
Repayment of bank and other borrowings	(8,904)	(519,050)			(527,954)
Advance from a related company	–	682,557			682,557
Redemption of convertible notes	(5,000)	–			(5,000)
	<u>829,383</u>	<u>729,057</u>			<u>1,538,440</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS					
Cash and cash equivalents at beginning of year	72,626	22,097			94,723
	<u>278,649</u>	<u>170,761</u>			<u>449,410</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS					
Cash and bank balances	278,649	175,947			454,596
Pledged bank deposits	–	3,000			3,000
Bank overdrafts	–	(8,186)			(8,186)
	<u>278,649</u>	<u>170,761</u>			<u>449,410</u>

Notes:

- (1) The audited consolidated cash flow statement of the Group for the year ended 31 March 2008 was extracted from the published annual report of the Group for the year ended 31 March 2008.
- (2) The audited consolidated cash flow statement of the Hennabun Group for the year ended 31 December 2007 was extracted from the accountant's report on the Hennabun Group, which is set out in Appendix II to the Circular.
- (3) The adjustment represents elimination of interest income of HK\$2,373,000 earned from the loans granted to the Hennabun Group during the year ended 31 March 2008.
- (4) The adjustment represents the imputed interest expense of HK\$14,378,000 for the year ended 31 March 2008 on the FCL Convertible Note, assuming an effective interest rate of 27.6% per annum, as if the Hennabun Shares Acquisition had been completed on 1 April 2007.

This unaudited pro forma adjustment will have continuing cash flow statement effect to the Enlarged Group, and the actual amount will vary according to the timing of the whole or any part of the FCL Convertible Note being converted or redeemed and the applicable effective rate.

- (5) The adjustment represents the estimated excess over the cost of business combination arising from the Hennabun Shares Acquisition had the Hennabun Shares Acquisition been completed on 1 April 2007.
- (6) The adjustment represents elimination of the Group's loan receivable balance of HK\$20,000,000 granted to the Hennabun Group during the year ended 31 March 2008.
- (7) No adjustments have been made to reflect any trading results or other transactions of the Group and the Hennabun Group entered into subsequent to 31 March 2008.

1. MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

Set out below is the management discussion and analysis of the operating results and business review extracted from the respective annual reports of the Company for each of the years ended 31 March 2006, 2007 and 2008.

For the year ended 31 March 2006**Business review and prospect***Business review*

The Group was principally engaged in the trading of securities, provision of finance, trading of goods, property holding and investment holding during the year. The turnover of the Group for the year comprised mainly revenues from the trading of securities, interest income from the provision of finance and trading business revenue.

Trading of securities

During the year, the Group strengthened its business in securities investment and trading. Revenue from the sales of securities was amounted to approximately HK\$48 million (2005: approximately HK\$1,000). The segment recorded a loss of approximately HK\$2.6 million (2005: approximately HK\$75,000) after taking into account of the changes in fair value of the listed securities held at year end.

Provision of finance

Turnover of the financing business was approximately HK\$26.4 million (2005: approximately HK\$32.2 million) and the profit of the business was approximately HK\$151,000 (2005: approximately HK\$30 million). The decrease in the segmental profit was mainly due to the impairment loss of approximately HK\$26.2 million (2005: approximately HK\$Nil) incurred in the year in relation to certain loans receivable.

Trading of goods

During the year, the turnover of the Group's trading business decreased to approximately HK\$23.4 million from last year's figure of approximately HK\$40 million as the result of the decrease in trading activities of the Group. The trading business recorded a loss of approximately HK\$104 million (2005: profit of approximately HK\$358,000) principally due to the impairment loss of approximately HK\$103.2 million on the trade and other receivables.

Property holding

The property segment of the Group recorded a loss of approximately HK\$2.9 million (2005: approximately HK\$133,000) mainly because of the decrease in fair value of the investment properties located in China recognized in the Group's income statement which amounted to approximately HK\$2.7 million. In view of the improving local property market, the Group placed more resources and emphasis on Hong Kong property investment opportunities.

Investment holding

The listed securities component of the Group's available-for-sale investments performed satisfactorily in the year. The market value of the listed securities component of the available-for-sale investments as at 31 March 2006 was approximately HK\$60 million. On the other hand, in relation to unlisted equity securities, there was an impairment loss of approximately HK\$34.1 million recognized in the year in relation to the Group's investment in Xian Yizhiliu Pharmaceutical Co., Ltd.

Prospects

The Group was constantly reviewing its existing businesses and possible new business opportunities. The Company decided that it was most likely that investment into the financial services industry would become more promising than that of in the trading sector. The Group was endeavouring to further develop the businesses of provision of finance, trading of securities, property investment and investment activities. The name of the Company was changed from Inner Mongolia Development (Holdings) Limited to Freeman Corporation Limited to reflect the dynamics business nature of the Group as well as the management's determination and its genuine wish to enhance the fruitful result for the benefit of the Shareholders.

Financial review***Turnover***

For the year ended 31 March 2006, the Group recorded a turnover of approximately HK\$97.8 million, a growth of approximately 35.3% compared to the year ended 31 March 2005. The increase was mainly attributable to the increase in the sales of securities.

Gross profit

The gross loss was approximately HK\$159.7 million, representing a decrease of approximately 1,079% as compared to the figure of year 2005. The decrease was mainly attributable to impairment loss recognized in respect of trade and loan receivable.

Administrative expenses

Administrative expenses increased from year 2005's figure of approximately HK\$12.5 million to approximately HK\$15.6 million.

Capital structure

As at 31 March 2006, the Group had other borrowings of approximately HK\$12 million (2005: Nil), bank overdraft of approximately HK\$762,000 (2005: Nil) and margin financing payable of approximately HK\$2.9 million (2005: Nil). The other borrowings, bank overdraft and margin financing payable of the Group carried floating interest rates calculated by reference to the Hong Kong dollar prime rate and were made in Hong Kong dollar. Thus there was no exposure to fluctuations in exchange rates in relation to the borrowings.

Gearing ratio

Gearing ratio calculated on the basis of the Group's total borrowing over Shareholders' funds was approximately 3.13% at 31 March 2006 (2005: approximately Nil).

Liquidity and financial resources

As at 31 March 2006, the net current assets of the Group amounted to approximately HK\$316.5 million (2005: approximately HK\$242.8 million) and the current ratio (current assets/current liabilities) was 16.2. The bank balances and cash were approximately HK\$30.4 million (2005: approximately HK\$3.74 million).

Charge of assets

As at 31 March 2006, investments held for trading of approximately HK\$25.9 million (2005: Nil) were pledged to a financial institution to secure margin financing provided to the Group.

Capital commitment

The capital commitment of the Group as at 31 March 2006 was approximately HK\$6.1 million (2005: Nil).

Foreign exchange exposure and hedging policy

The Group's foreign currency transactions were mostly denominated in Renminbi. As the exchange rate of Hong Kong dollars to Renminbi was stable, the Directors were of the view that the Group's exposure to exchange rate risk was not material.

Contingent liabilities

The Group had no material contingent liabilities as at 31 March 2006.

Dividend

No dividend was paid by the Company during the year. The Directors did not recommend the payment of a final dividend for the year.

Human resources

As at 31 March 2006, the total number of employees of the Group was 24. Staff costs, including Directors' emoluments for the year were approximately HK\$6.2 million. The Company adopted a share option scheme on 23 August 2002 for the Directors and the employees. The Group operated a defined contribution Mandatory Provident Fund retirement benefits scheme under the Mandatory Provident Fund Schemes Ordinance for its employees.

For the year ended 31 March 2007

Business Review and Prospect

Business Review

The Group was principally engaged in the trading of securities, provision of finance, insurance, property holding and investment holding during the year. The turnover of the Group for the year comprised mainly revenues from the trading of securities, interest income from the provision of finance, interest income from investment and insurance agency brokerage income.

Trading of securities

The trading of securities remained as a significant part of the Group's business. Revenue from the sales of securities for the year ended 31 March 2007 amounted to approximately HK\$21.5 million (2006: approximately HK\$16.7 million). The segment recorded a loss of approximately HK\$27.5 million (2006: approximately HK\$2.7 million) after taking into account of the changes in fair value of the listed securities held at year end.

Provision of finance

Turnover of the financing business was approximately HK\$26.4 million (2006: approximately HK\$26.4 million). The business recorded a loss of approximately HK\$41 million (2006: profit of approximately HK\$151,000) in the year ended 31 March 2007 mainly due to the impairment loss of approximately HK\$67.5 million incurred in the year in relation to loans receivable.

Insurance

After the acquisition of Cinergy Holdings Limited, the Group commenced its participation in the insurance and brokerage business in the year. The next goal of the Group was to establish a life insurance company to conduct long term business in Hong Kong. The insurance brokerage business recorded a turnover of approximately HK\$2 million and a segmental loss of approximately HK\$4 million in the year.

Property holding

During the year, the Group increased its investment in commercial properties. The total rental income generated from the property holding and investment business for the year amounted to approximately HK\$1.2 million (2006: Nil) and the segment recorded a profit of approximately HK\$1.8 million (2006: Nil). In view of the improving property market, the Group was continually looking for property investment opportunities and acquired certain other high quality commercial properties after the year end.

Investment holding

During the year, the Group acquired further interest in the financial services group, Hennabun Group (formerly known as Hennabun Management International Limited), which subsequently became an associate of the Group after the completion of the approval procedures by the regulatory bodies. Hennabun Group, through its subsidiaries, was engaged in investment holding, provision of financial services including securities brokerage, commodity trading, money lending, margin financing and corporate finance advisory as well as proprietary trading and direct investment. The Company expected the investment in Hennabun can enable the Company to integrate and strengthen its resources and enlarge the client base, with a view to the Company becoming a leading and sophisticated investment service advisor and finance provider in the market.

Prospects

The Group had set its goal towards the establishment of a well managed financial services conglomerate which included insurance and related businesses. The Group would use its best endeavour to expand its present insurance business and subject to the regulatory requirements and approvals, to set up a life insurance company authorised to conduct long term business in Hong Kong. The Group was in the process of applying to the regulatory authority for approval to carry out long term life insurance business in Hong Kong. The Company was optimistic that participation in the insurance industry would provide a high potential of growth in the Group's revenue in the long run and lead to enhancement in the value of the Company to the Shareholders.

In the past year, the Company completed several fund raising activities and substantially increased its capital base. The management was of the view that the Group was then well-positioned to expand our insurance business with the aim to become one of the major life insurers in the Hong Kong.

Financial review***Turnover***

The turnover of the Group for the year was approximately HK\$21.5 million which represented an increase of approximately 28.7% as compared to that of approximately HK\$16.7 million in last year.

Gross profit

The gross profit was approximately HK\$18.7 million, representing an increase of approximately 12.3% as compared to last year's figure.

Administrative expenses

General and administrative expenses increased from last year's figure of approximately HK\$13.6 million to approximately HK\$29.4 million in this year.

Capital structure

As at 31 March 2007, the Group secured bank loans of approximately HK\$43 million (2006: Nil), unsecured other borrowings of approximately HK\$19.5 million (2006: approximately HK\$12 million), nil balance of bank overdraft (2006: approximately HK\$762,000) and nil balance of margin financing payable (2006: approximately HK\$2.9 million). Approximately HK\$41.1 million of the secured bank loans were repayable after one year whilst approximately HK\$2 million of the secured bank loans and the unsecured other borrowings were repayable within one year.

Material acquisitions and disposal

During the year, the Group disposed of 55% interest in Mega Victory Limited, a previous subsidiary of the Company which owned the trading arm of the Group. Following the disposal, the Group ceased the trading of goods business but still retained a 45% interest in Mega Victory Limited.

Gearing ratio

Gearing ratio calculated on the basis of the Group's total borrowing over Shareholders' funds was approximately 10.62% (2006: approximately 3.13%) as at 31 March 2007.

Liquidity and financial resources

As at 31 March 2007, the net current assets of the Group amounted to approximately HK\$496 million (2006: approximately HK\$317 million) and the current ratio (current assets/current liabilities) was 17.4 (2006: 16.2). The bank and cash balances were approximately HK\$72.6 million (2006: approximately HK\$30.4 million).

Charge of assets

As at 31 March 2007, leasehold land and building with total carrying amount of approximately HK\$5.2 million was pledged to secure a bank loan granted to the Group, investment properties situated in Hong Kong with an aggregate carrying value of approximately HK\$62.5 million were pledged to secure general banking facilities granted to the Group and investments held for trading of approximately HK\$132 million were pledged to a financial institution to secure margin financing facilities provided to the Group.

Capital commitment

The capital commitment of the Group as at 31 March 2007 was approximately HK\$6.6 million (2006: approximately HK\$6.1 million).

Foreign exchange exposure and hedging policy

The bank loans and other borrowings of the Group carried floating interest rates calculated by reference to the Hong Kong dollar prime rate and were made in Hong Kong dollar. Thus there was no exposure to fluctuations in exchange rates in relation to the borrowings.

Contingent liabilities

There were guarantees given to banks in connection with facilities granted to subsidiaries in an amount of HK\$53,171 (2006: Nil). As at 31 March 2007, the banking facilities granted to certain subsidiaries subject to guarantees given to the banks by the Company were utilized to the extent of approximately HK\$43 million (2006: approximately HK\$75 million).

Dividend

The Directors did not recommend the payment of a final dividend for the year ended 31 March 2007.

Human resources

As at 31 March 2007, the Group employed about 35 staff members including Directors. Staff costs incurred for the year, including Directors' remuneration, were approximately HK\$10.6 million (2006: approximately HK\$6.2 million).

It was the remuneration policy of the Group to reward its employees with reference to their qualifications, experience and work performance as well as to market benchmarks. Remuneration packages, included granting of share options, were structured to motivate individual performance and contributions to the Group.

The Company adopted a share option scheme on 23 August 2002 for the Directors and the employees. The Group operated a defined contribution Mandatory Provident Fund retirement benefits scheme under the Mandatory Provident Fund Schemes Ordinance for its employees.

For the year ended 31 March 2008

Business Review and Prospect

Business Review

The Group was principally engaged in the trading of securities, provision of finance, property holding and investment, insurance agency and brokerage business, and investment holding during the year. The turnover of the Group for the year comprised mainly interest income earned from provision of finance; interest income and dividend income from equity investments; gains/(losses) from the sale of investments at fair value through profit or loss; insurance agency and brokerage income; and gross rental income received and receivable from investment properties.

Trading of securities

The trading of securities remained as a significant part of the Group's business. Net gains from the securities trading business for the year amounted to approximately HK\$59 million (2007: net loss of approximately HK\$11.8 million). The segment recorded a loss of approximately HK\$396.9 million (2007: approximately HK\$27.5 million) after taking into account of the changes in fair value of the listed securities held at year end.

Provision of finance

Turnover of the financing business was approximately HK\$17.5 million (2007: approximately HK\$26.4 million). The business recorded a profit of approximately HK\$17.4 million (2007: approximately HK\$47.1 million).

Property holding and investment

During the year, the Group expanded its investment in commercial properties. The total rental income generated from the property holding and investment business for the year amounted to approximately HK\$2.6 million (2007: approximately HK\$1.2 million) and the segment recorded a profit of approximately HK\$7.7 million (2007: approximately HK\$1.8 million) in the year after taking into account of the net gains arising from changes in fair value of the investment properties.

Insurance

During the year, the insurance agency and brokerage business recorded a turnover of approximately HK\$6.2 million (2007: approximately HK\$2.1 million) and a segmental loss of approximately HK\$5.9 million (2007: approximately HK\$4.1 million) in the year.

Prospects

Followed by the acquisition of the insurance agency and brokerage business and several fund raising activities, 2008 was expected to be a critical year to the Company in relation to the long term insurance license application. The Company took a significant step in the application for the insurance authorization since it submitted an application together with the initial business proposal to the regulatory authority during the year. The Company managed to recruit a core working team comprising some very experienced and knowledgeable executives to take charge of the implementation of the insurance policies and strategies and it would continue to nurture its best effort to meet with international standards for the establishment of a life insurance company.

In terms of business under the Company's insurance agency and brokerage arm, the Company was looking for number of target insurers with specialized investment link products for expansion of our product lines. The Company continued to identify and establish the most suitable and effective channels for distribution among the sales force in bid to provide a high potential growth of business of the Company in the long run.

*Financial review**Turnover*

The turnover of the Group for the year was approximately HK\$85.3 million which represented an increase of approximately 298% as compared to that of approximately HK\$21.5 million in last year.

Gross profit

The gross profit was approximately HK\$77.5 million (2007 approximately HK\$18.7 million), representing an increase of approximately 314% as compared to last year's figure.

Administrative expenses

General and administrative expenses increased from last year's figure of approximately HK\$29.4 million to approximately HK\$40.8 million in this year being in line with the increase in operating activities of the Group.

Capital structure

As at 31 March 2008, the Group secured bank loans of approximately HK\$97.8 million (2007: approximately HK\$43.1 million) and had no unsecured other borrowings. Approximately HK\$92.5 million of the secured bank loans (2007: approximately HK\$41.1 million) were repayable after one year whilst approximately HK\$5.2 million of the secured bank loans and the unsecured other borrowings (2007: approximately HK\$21.5 million) were repayable within one year. The liability component of the convertible notes was approximately HK\$31.9 million (2007: Nil).

Material disposals

On 9 July 2007, the Company disposed of its entire interest in Equity Spin, the then wholly-owned subsidiary of the Company owning approximately 48.96% of Hennabun, and assigned all of its interest in a shareholder's loan in the amount of approximately HK\$161.3 million for an aggregate cash consideration of HK\$50 million. On 7 September 2007, the Group disposed of its entire interest in the then subsidiary, Startech Business Limited, at a consideration of approximately HK\$6 million.

Save as aforesaid, the Group did not make any material acquisition or disposal of subsidiary or associate during the year.

Gearing ratio

Gearing ratio calculated on the basis of the Group's interest-bearing bank and other borrowings divided by the adjusted capital, being the liability component of the convertible notes and equity attributable to equity holders of the Company was approximately 10.0% at 31 March 2008.

Liquidity and financial resources

As at 31 March 2008, the net current assets of the Group amounted to approximately HK\$867.8 million (2007: approximately HK\$496 million) and the current ratio (current assets/current liabilities) was 55.6 (2007: 17.4). The cash and bank balances were approximately HK\$278.6 million (2007: approximately HK\$72.6 million).

Charge of assets

As at 31 March 2008, leasehold land and buildings with total carrying amount of approximately HK\$71.5 million (2007: approximately HK\$5.2 million) and investment properties situated in Hong Kong with an aggregate carrying value of approximately HK\$100.8 million (2007: approximately HK\$62.5 million) were pledged to secure general banking facilities granted to the Group. Investments held for trading of approximately HK\$345.8 million (2007: approximately HK\$132 million) were pledged to a financial institution to secure margin financing facilities provided to the Group.

Capital commitment

The Group had no material capital commitment as at 31 March 2008.

Foreign exchange exposure and hedging policy

During the year, since the amount of the Group's foreign currency transactions was not material, the Directors were of the view that the Group's exposure to exchange rate risk is not material.

Contingent liabilities

There were guarantees given to banks in connection with facilities granted to subsidiaries in an amount of HK\$101,248 (2007: HK\$53,171). As at 31 March 2008, the banking facilities granted to certain subsidiaries subject to guarantees given to the banks by the Company were utilized to the extent of approximately HK\$97.8 million (2007: approximately HK\$43.1 million).

Dividend

The Directors did not recommend the payment of a final dividend for the year ended 31 March 2008.

Human resources

As at 31 March 2008, the Group employed about 36 staff members including directors of the Company. Staff costs incurred for the year, including Directors' remuneration, were approximately HK\$23.1 million (2007: approximately HK\$10.6 million). It was the remuneration policy of the Group to reward its employees with reference to their qualifications, experience and work performance as well as to market benchmarks. Remuneration packages, included granting of share options, were structured to motivate individual performance and contributions to the Group. The Company adopted a share option scheme on 23 August 2002 for the Directors and the employees. The Group operated a defined contribution Mandatory Provident Fund retirement benefits scheme under the Mandatory Provident Fund Schemes Ordinance for its employees.

For the six months ended 30 September 2008***Operations review***

For the period under review, the Group was principally engaged in the trading of securities, provision of finance, property holding, insurance business and investment holding.

During the period, the Group had reduced its business in securities trading in view of the recent downturn of the equity market. Revenue of trading of securities and its related income for the period was a negative balance of approximately HK\$15.9 million (2007: positive balance of approximately HK\$72 million). The segment had recorded a loss of approximately HK\$325.1 million after taking into account of the changes in fair values of listed securities held for trading (2007: approximately HK\$137.2 million).

Turnover of the provision of finance business for the period was amounted to approximately HK\$7.2 million (2007: approximately HK\$7.3 million). The business recorded a profit of approximately HK\$2.6 million in this period (2007: approximately HK\$7.4 million).

In view of the adverse economic environment affecting the local property market, the Group had decreased its investment in properties in the period. As at 30 September 2008, the aggregate carrying amount of the investment properties was approximately HK\$92.6 million compared with that of approximately HK\$101.6 million as at 31 March 2008.

The insurance agency and brokerage business of the Group recorded a turnover and a loss of approximately HK\$2.1 million and approximately HK\$3.7 million in the period respectively. Due to the financial turmoil, the Company has exercised cautions not to over expand in the long term life insurance business in Hong Kong.

Financial review*Liquidity, Financial Resources and Capital Structure*

As at 30 September 2008, net current assets of the Group amounted to approximately HK\$956.2 million (31 March 2008: approximately HK\$867.8 million) with cash and bank balances of approximately HK\$350.2 million (31 March 2008: approximately HK\$278.6 million).

As at 30 September 2008, the Group had secured bank loans of approximately HK\$94.9 million (31 March 2008: approximately HK\$97.8 million). Gearing ratio calculated on the basis of the Group's total borrowings over Shareholders' funds was 8.99% (31 March 2008: 10.37%) at the balance sheet date. The secured bank loans of the Group were carried floating interest rates calculated by reference to the Hong Kong dollar prime rate and made in Hong Kong dollars. There was no exposure to fluctuations in exchange rates in relation to the borrowings.

The capital commitments of the Group at period end were approximately HK\$24.1 million (31 March 2008: nil). In light of the amount of liquid assets in hand and banking facilities available, the Directors were of the view that the Group had sufficient financial resources to meet its ongoing operational requirements. The Group's assets portfolio was mainly financed by its Shareholders' funds.

As at 30 September 2008, the Group had Shareholders' funds of approximately HK\$1,055.6 million (31 March 2008: approximately HK\$943.3 million). During the period, the Company had completed rights issue of 4,072,156,235 shares (not being taken into account of the Capital Reorganization). The capital base of the Company had been much improved after the said financing exercises.

Foreign Currency Management

During the period, since the amount of the Group's foreign currency transactions was not material, the Directors were of the view that the Group's exposure to exchange rate risk was not material.

Pledge of Assets

As at 30 September 2008, (i) investments held for trading of approximately HK\$353.3 million were pledged to a financial institution to secure margin financing facilities provided to the Group; (ii) prepaid land premium and buildings of approximately HK\$51.1 million and HK\$19.9 million, respectively, were pledged to a bank to secure loan facilities granted to the Group; and (iii) investment properties with a total carrying amount of approximately HK\$92.6 million were pledged to banks to secure loan facilities granted to the Group.

Contingent Liabilities

The Group had no material contingent liabilities at 30 September 2008.

Business prospects

The Group was still focused on the trading of securities, provision of finance, property holding and investment, insurance agency and brokerage business and investment holding during the period. However, due to financial turmoil, the year ahead is full of uncertainties, the economy will grow thanks to various economic stimulus packages offered by the governments, but in the face of high inflation, tight credit and uncertainties, the economy will grow sluggishly. The Board will proceed with caution for the remainder of the year.

Employees and remuneration policy

As 30 September 2008, the Group employed about 39 staff members including directors of the Company. Staff costs incurred for the period, including directors' remuneration, were approximately HK\$7.9 million (2007: approximately HK\$5.5 million). It was the remuneration policy of the Group to reward its employees with reference to their qualifications, experience and work performance as well as to market benchmarks. Remuneration packages, including the grant of share options, were structured to motivate individual performance and contributions to the Group.

2. MANAGEMENT DISCUSSION AND ANALYSIS OF THE HENNABUN GROUP**Management discussion and analysis of the Hennabun Group for the nine months ended 30 September 2008 and for each of the three years ended 31 December 2005, 2006 and 2007**

Hennabun is an investment holding company incorporated in the BVI with limited liability. The Hennabun Group is engaged in provision of financial services including security brokerage, commodity trading, money lending, margin financing and corporate finance advisory as well as proprietary trading and direct investment. In order to streamline the business structure of the Hennabun Group, the Hennabun Group disposed of two wholly-owned subsidiaries, i.e. Hero City and Sky Vision in 2008, details of which are disclosed in the section headed “Information about the Hennabun Group” as set out in the Letter from the Board of this circular. The directors of the Hennabun Group intend to develop its fund management business through internal resources. Meanwhile, the Hennabun Group would take into consideration of the market conditions and remain open to other suitable investments which is expected to add to the synergetic well being of the Hennabun Group should commercial opportunities arise.

Set out below is the management discussion and analysis of the operating results and business review for each of the three years ended 31 December 2007 and for the nine months ended 30 September 2008:–

For the year ended 31 December 2005***Business review***

The Hennabun Group was principally engaged in provision of brokerage and financial services, proprietary trading and investment holding.

Brokerage and financial services

For the year ended 31 December 2005, turnover of the Hennabun Group amounted to approximately HK\$33.6 million and was solely attributable to the provision of brokerage and financial services. The segment recorded a profit of approximately HK\$31.8 million.

Proprietary trading

For the year ended 31 December 2005, turnover of the Hennabun Group's business segment in proprietary trading was nil and recorded a loss of approximately HK\$7.1 million which was attributable to the realized loss on disposal of financial assets.

Investment holding

For the year ended 31 December 2005, turnover of the Hennabun Group's business segment in investment holding was nil and recorded a loss of approximately HK\$205.0 million which was mainly attributable to a loss on disposal of interests in subsidiaries.

Financial review

For the year ended 31 December 2005, the Hennabun Group recorded a turnover of approximately HK\$33.6 million. However, the Hennabun Group incurred net loss of approximately HK\$222.6 million during the period which was mainly attributable to a loss on disposal of interests in subsidiaries amounted to approximately HK\$195.5 million.

Capital structure and capital management

As at 31 December 2005, the total equity of the Hennabun Group was approximately HK\$62.7 million and the Hennabun Group aimed to maintain its total equity at a reasonable level.

The objectives of the Hennabun Group's capital management were to safeguard the entity's ability to continue as a going concern in order to provide returns for its shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Hennabun Group might adjust the amount of dividends paid to the shareholders, return capital to the shareholders, issue new shares or sell assets to reduce debt. No material change was made in the objectives, policies or processes during the year ended 31 December 2005.

Liquidity and financial resources

As at 31 December 2005, the Hennabun Group had total assets of approximately HK\$440.7 million, total liabilities of approximately HK\$378.0 million and net assets of approximately HK\$62.7 million. The gearing ratio calculated on the basis of the Hennabun Group's total borrowings over total assets was approximately 0.86 as at 31 December 2005.

As at 31 December 2005, the Hennabun Group had bank balances and cash of approximately HK\$71.6 million and the current ratio was approximately 1.41.

Interest bearing borrowings

As at 31 December 2005, the Hennabun Group had interest-bearing borrowings totaled approximately HK\$146 million, of which approximately HK\$36 million was secured bank loan that carried interest on prime rate minus 0.5% and approximately HK\$110 million was other unsecured loans that carried interest ranging from prime rate plus 1% to 2% and 7.5% per annum.

Capital commitments

As at 31 December 2005, the Hennabun Group did not have any capital commitment.

Pledge of assets

As at 31 December 2005, the Hennabun Group had pledged bank deposits together with leasehold land and buildings amounted to approximately HK\$83.2 million.

Contingencies

As at 31 December 2005, the Hennabun Group did not have any contingent liabilities.

Foreign exchange exposure

Since the Hennabun Group's sources of income and borrowing were denominated in Hong Kong dollars, the Hennabun Group was not exposed to foreign exchange rate fluctuations.

Material acquisitions and disposals

The Hennabun Group entered into acquisition of several companies whose major assets included investment property and loans and other receivables, at different times of the year ended 31 December 2005. The aggregate consideration in relation to the acquisition of subsidiaries during the year amounted to approximately HK\$90.9 million. The acquired subsidiaries did not contribute any turnover or revenue to the Hennabun Group for the year between the relevant acquisition dates and 31 December 2005.

For the year ended 31 December 2005, the Hennabun Group disposed of its interests in certain subsidiaries whose major assets were loan receivables at a cash consideration of approximately HK\$156.3 million.

Significant investment

As at 31 December 2005, the Hennabun Group did not hold any significant investment.

Employees and remuneration policies

As at 31 December 2005, the Hennabun Group employed 27 full time employees in Hong Kong and Singapore. The Hennabun Group's remuneration policies were primarily based on prevailing market salary levels and the performance of the respective companies and individuals concerned. The Hennabun Group also provided its employees with other benefits such as a mandatory provident fund and medical insurance scheme. As at 31 December 2005, the Hennabun Group did not operate any share option scheme.

*For the year ended 31 December 2006**Business review*

Brokerage and financial services

For the year ended 31 December 2006, turnover of the Hennabun Group from the provision of brokerage and financial services amounted to approximately HK\$42.8 million. The segment recorded a profit of approximately HK\$21.1 million from the provision of securities or futures broking and margin financing services and provision of corporate and personal financing services.

Proprietary trading

For the year ended 31 December 2006, turnover of the Hennabun Group's business segment in proprietary trading was HK\$16,039 mainly contributed from the receipt of dividend income and recorded a profit of HK\$980,952 which was mainly attributable to the realized gain on disposal of financial assets.

Investment holding

For the year ended 31 December 2006, turnover of the Hennabun Group's business segment in investment holding was nil and recorded a loss of HK\$422,392 which was mainly attributable to the loss on disposal of interests in subsidiaries.

Financial review

For the year ended 31 December 2006, the Hennabun Group recorded turnover of approximately HK\$42.8 million, representing a year-on-year growth rate of approximately 27.46%. This positive year-on-year growth rate was mainly attributable to the increase in commission and brokerage income for securities dealing, underwriting and placing commission, interest income from the money lending business and consultancy fee income. However, the Hennabun Group incurred net loss of approximately HK\$99.6 million during the period, mainly attributable to significant amounts of allowance for doubtful debts were made (approximately HK\$73.7 million).

Capital structure and capital management

As at 31 December 2006, the total equity of the Hennabun Group was approximately HK\$13.0 million and the Hennabun Group aimed to maintain its total equity at a reasonable level.

The objectives of the Hennabun Group's capital management were to safeguard the entity's ability to continue as a going concern in order to provide returns for its shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Hennabun Group might adjust the amount of dividends paid to the shareholders, return capital to the shareholders, issue new shares or sell assets to reduce debt. No material change was made in the objectives, policies or processes during the year ended 31 December 2006.

Liquidity and financial resources

As at 31 December 2006, the Hennabun Group had total assets of approximately HK\$430.8 million, total liabilities of approximately HK\$417.8 million and net assets of approximately HK\$13 million. The gearing ratio calculated on the basis of the Hennabun Group's total borrowings over total assets was approximately 0.97 as at 31 December 2006.

As at 31 December 2006, the Hennabun Group had bank balances and cash of approximately HK\$43.9 million and the current ratio was approximately 1.39.

Interest bearing borrowings

As at 31 December 2006, the Hennabun Group had interest-bearing borrowings totaled approximately HK\$223.3 million, of which approximately HK\$47.8 million was secured bank loan that carried interest on prime rate minus 2.8% and approximately HK\$175.5 million was other unsecured loans that carried interest ranging from prime rate plus 1% to 2% and 7.5% to 12% per annum.

Capital commitments

As at 31 December 2006, the Hennabun Group did not have any capital commitment.

Pledge of assets

As at 31 December 2006, the Hennabun Group had pledged bank deposits together with leasehold land and buildings amounted to approximately HK\$81.35 million.

Contingencies

As at 31 December 2006, the Hennabun Group did not have any contingent liabilities.

Foreign exchange exposure

Since the Hennabun Group's sources of income and borrowing were denominated in Hong Kong dollars, the Hennabun Group was not exposed to foreign exchange rate fluctuations.

Material acquisitions and disposals

The Hennabun Group did not enter into any acquisition and disposal of subsidiaries for the year ended 31 December 2006.

Significant investment

As at 31 December 2006, the Hennabun Group did not hold any significant investment.

Employees and remuneration policies

As at 31 December 2006, the Hennabun Group employed 32 full time employees in Hong Kong. The Hennabun Group's remuneration policies were primarily based on prevailing market salary levels and the performance of the respective companies and individuals concerned. The Hennabun Group also provided its employees with other benefits such as a mandatory provident fund and medical insurance scheme. As at 31 December 2006, the Hennabun Group did not operate any share option scheme.

*For the year ended 31 December 2007**Business review*

Brokerage and financial services

For the year ended 31 December 2007, turnover of the Hennabun Group from the provision of brokerage and financial services amounted to approximately HK\$143.6 million and recorded a profit of approximately HK\$108.9 million.

Proprietary trading

For the year ended 31 December 2007, turnover of the Hennabun Group's business segment in proprietary trading was HK\$5 mainly contributed from the receipt of dividend income and recorded a loss of approximately HK\$68.9 million which was attributable to both the realized loss on disposal of financial assets and the unrealized loss on financial assets.

Investment holding

For the year ended 31 December 2007, turnover of the Hennabun Group's business segment in investment holding was nil and recorded a profit of HK\$216,168 which was attributable to the gain on disposal of interests in subsidiaries.

Financial review

For the year ended 31 December 2007, the Hennabun Group recorded turnover of approximately HK\$143.6 million, representing a year-on-year growth rate of approximately 235.22%. This substantial year-on-year growth rate was mainly attributable to the increase in commission and brokerage income for securities dealing, underwriting and placing commission and interest income from the money lending business. However, the Hennabun Group incurred net loss of approximately HK\$92.4 million during the period, which was mainly attributable to a significant amount of allowance for doubtful debts (approximately HK\$40.0 million). In addition, the Hennabun Group had recognized an investment loss of approximately HK\$55 million in relation to an investment project in self-provided cargo train in the PRC and unrealized holding loss on financial assets at fair value amounted to approximately HK\$40.5 million had been recorded due to volatile market conditions during the year of 2007.

Capital structure and capital management

As at 31 December 2007, the total equity of the Hennabun Group was approximately HK\$68.6 million and the Hennabun Group aimed to maintain its total equity at a reasonable level.

The objectives of the Hennabun Group's capital management were to safeguard the entity's ability to continue as a going concern in order to provide returns for its shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Hennabun Group might adjust the amount of dividends paid to the shareholders, return capital to the shareholders, issue new shares or sell assets to reduce debt. No material change was made in the objectives, policies or processes during the year ended 31 December 2007.

Liquidity and financial resources

As at 31 December 2007, the Hennabun Group had total assets of approximately HK\$1,217.8 million, total liabilities of approximately HK\$1,149.2 million and net assets of approximately HK\$68.6 million. The gearing ratio calculated on the basis of Hennabun Group's total borrowings over total assets was approximately 0.94 as at 31 December 2007.

As at 31 December 2007, the Hennabun Group had bank balances and cash of approximately HK\$176 million and the current ratio was approximately 0.93.

Interest bearing borrowings

As at 31 December 2007, the Hennabun Group had unsecured interest-bearing borrowings amounted to approximately HK\$205 million that carried interest ranging from prime rate to 12% per annum.

Capital commitments

As at 31 December 2007, the Hennabun Group had capital commitments of approximately HK\$439.6 million in relation to the acquisition of aircraft and artworks.

Pledge of assets

As at 31 December 2007, the Hennabun Group had pledged bank deposits with a net book value of approximately HK\$3 million to secure general banking facilities granted to the Group.

Contingencies

As at 31 December 2007, there was a claim against a wholly-owned subsidiary of Hennabun amounting to approximately HK\$1 million.

Foreign exchange exposure

The Hennabun Group was exposed to foreign currency risk because of the capital commitment on the purchase of aircraft which was denominated in foreign currency. The Group did not have any policy to hedge this exposure. However, management of the Hennabun Group considered the Hennabun Group had limited exposure to foreign currency risk since the capital commitment on the purchase of aircraft was not significant.

Material acquisitions and disposals

The Hennabun Group did not enter into any acquisition of subsidiaries for the year ended 31 December 2007. However, during the period, the Hennabun Group disposed of its interests in certain subsidiaries whose major assets included an investment property at a cash consideration of approximately HK\$88 million.

Significant investment

As at 31 December 2007, the Hennabun Group did not hold any significant investment.

Employees and remuneration policies

As at 31 December 2007, the Hennabun Group employed 36 full time employees in Hong Kong and Singapore. The Hennabun Group's remuneration policies were primarily based on prevailing market salary levels and the performance of the respective companies and individuals concerned. The Hennabun Group also provided its employees with other benefits such as a mandatory provident fund and medical insurance scheme. As at 31 December 2007, the Hennabun Group did not operate any share option scheme.

*For the nine months ended 30 September 2008**Business review*

Brokerage and financial services

For the nine months ended 30 September 2008, turnover of the Hennabun Group amounted to approximately HK\$62.2 million and recorded a profit of approximately HK\$37.2 million from the provision of securities or futures broking and margin financing services and provision of corporate and personal financing services.

Proprietary trading

For the nine months ended 30 September 2008, turnover of the Hennabun Group's business segment in proprietary trading was HK\$4,501 and recorded a loss of approximately HK\$146.0 million which was attributable to both the realized loss on disposal of financial assets and the unrealized loss on financial assets.

Investment holding

For the nine months ended 30 September 2008, turnover of the Hennabun Group's business segment in investment holding was nil and recorded a profit of approximately HK\$25.6 million which was mainly attributable to the gain on disposal of interests in subsidiaries.

Financial review

For the nine months ended 30 September 2008, the Hennabun Group recorded a turnover of approximately HK\$62.2 million, representing a decrease of approximately 42.34% than the relevant period. This was because the commission and brokerage income for securities dealing and underwriting and placing commission had experienced significant decrease during the period as a result of adverse conditions of the financial market. Furthermore, the Hennabun Group incurred net loss of approximately HK\$101.5 million during the period mainly because of realized loss on disposal of financial assets which amounted to approximately HK\$135.9 million.

Capital structure and capital management

As at 30 September 2008, the total equity of the Hennabun Group was approximately HK\$310.1 million and the Hennabun Group aimed to maintain its total equity at a reasonable level.

The objectives of the Hennabun Group's capital management were to safeguard the entity's ability to continue as a going concern in order to provide returns for its shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Hennabun Group might adjust the amount of dividends paid to the shareholders, return capital to the shareholders, issue new shares or sell assets to reduce debt. No material change was made in the objectives, policies or processes during the nine months ended 30 September 2008.

Liquidity and financial resources

As at 30 September 2008, the Hennabun Group had total assets of approximately HK\$560.0 million, total liabilities of approximately HK\$249.9 million and net assets of approximately HK\$310.1 million. The gearing ratio calculated on the basis of the Hennabun Group's total borrowings over total assets was approximately 0.45 as at 30 September 2008.

As at 30 September 2008, the Hennabun Group had bank balances and cash of approximately HK\$123.6 million and the current ratio was approximately 1.68.

Interest-bearing borrowings

As at 30 September 2008, the Hennabun Group had unsecured interest-bearing borrowings amounted to approximately HK\$118 million that carried interest ranging from 4.5% per annum to prime rate plus 2%.

Capital commitments

As at 30 September 2008, the Hennabun Group had capital commitments of approximately HK\$618.9 million including the purchases of aircraft and the relevant conversion work, the purchases of artworks and a PRC investment project.

Pledge of assets

As at 30 September 2008, the Hennabun Group had pledged bank deposits with a net book value of approximately HK\$3 million to secure general banking facilities granted to the Group.

Contingencies

As at 30 September 2008, there was a claim against a wholly-owned subsidiary of Hennabun amounting HK\$1 million. On 12 November 2008, the aforementioned amount was revised to HK\$0.7 million and was paid subsequent to the balance sheet date of 30 September 2008.

Foreign exchange exposure

The Hennabun Group was exposed to foreign currency risk because of investments in subsidiaries operated outside Hong Kong and capital commitments on the purchase and relevant conversion work of aircraft, which were denominated in foreign currencies. The Group currently did not have any policy to hedge this exposure. However, the management of the Hennabun Group considered the Hennabun Group has limited exposure to foreign currency risk since the investments in subsidiaries are not significant and capital commitments on the acquisition and relevant conversion work of aircraft was subsequently disposed of on 10 October 2008.

Material acquisitions and disposals

The Hennabun Group did not enter into any acquisition of subsidiaries for the nine months ended 30 September 2008. However, during the period, the Hennabun Group disposed of its interests in a subsidiary whose major assets included a yacht and other receivables at a cash consideration of HK\$94 million.

In addition, the Hennabun Group disposed of two wholly-owned subsidiaries, i.e. Hero City and Sky Vision subsequent to 30 September 2008, details of which are disclosed in the section headed “Information about the Hennabun Group” as set out in the Letter from the Board of this circular.

Significant investments

During the nine months ended 30 September 2008, Hero City, a wholly-owned subsidiary of the Hennabun Group, entered into an agreement with a third party in respect of a PRC investment project at a consideration of approximately HK\$140.6 million and had paid a deposit of approximately HK\$31.2 million. Subsequent to 30 September 2008, Hero City was disposed of at a consideration equivalent to its net asset value on the disposal date.

In addition, the Hennabun Group had acquired a collection of artworks in an attempt to consolidate a valuable collection of saleable artwork with an objective of deriving a profit in the future. As at 30 September 2008, the Hennabun Group's aggregate carrying value in respect of its investments in artworks amounted to approximately HK\$74.3 million and such investments were held as long term investments and were expected to have a potential price appreciation in the future.

Employees and remuneration policies

As at 30 September 2008, the Hennabun Group employed 39 full time employees in Hong Kong and Singapore. Hennabun Group's remuneration policies were primarily based on prevailing the market salary levels and the performance of the respective companies and individuals concerned. The Hennabun Group also provided its employees with other benefits such as a mandatory provident fund and medical insurance scheme. As at 30 September 2008, the Hennabun Group did not operate any share option scheme.

3. FINANCIAL AND TRADING PROSPECT OF THE ENLARGED GROUP

The future prospects of the Enlarged Group is to continue to focus on two targets, which are to enhance the performance of the existing business of the Group and to explore investment opportunities including but not limited to investment and fund management to add value for Shareholders.

The acquisition of Hennabun Group, which will become a subsidiary of the Company will add value to the synergetic well being of the Group. Hennabun Group, through its subsidiaries, is engaged in investment holding, provision of financial services including securities brokerage, commodity trading, money lending, margin financing and corporate finance advisory as well as proprietary trading and direct investment. The investment in Hennabun Group can enable the Company to integrate and strengthen its resources and enlarge its client base, with a view to the Enlarged Group becoming a leading and sophisticated investment service advisor and finance provider in the market.

4. STATEMENT OF INDEBTEDNESS

At the close of business on 30 November 2008 (being the latest practicable date for ascertaining information regarding this indebtedness statement), the Enlarged Group had outstanding borrowings of approximately HK\$330,555,000, comprising (i) secured bank borrowings of approximately HK\$113,943,000; (ii) unsecured bank overdraft of approximately HK\$1,000; and (iii) unsecured interest-bearing borrowings from third parties of approximately HK\$216,611,000. The Enlarged Group's borrowings and banking facilities were secured by (i) the fixed charges over certain leasehold land and buildings and investment properties held by the Enlarged Group with aggregate net book values of approximately HK\$160,783,000; (ii) certain investments at fair value through profit or loss of approximately HK\$26,678,000; (iii) personal guarantee given by a director of Hennabun of HK\$30,000,000; and (iv) bank deposits of HK\$3,000,000 as at 30 November 2008.

Saved as aforesaid, and apart from intra-group liabilities, the Enlarged Group did not have any bank loans, bank overdrafts and liabilities under acceptances or other similar indebtedness, debentures or other loan capital, mortgages, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities outstanding at the close of business on 30 November 2008.

For the purpose of the above indebtedness statement, foreign currency amounts have been translated into Hong Kong dollars at the rates of the exchange prevailing at the close of business on 30 November 2008.

5. WORKING CAPITAL

The Company and its subsidiaries are principally engaged in the insurance business, provision of finance, trading of securities, property holding and investment. The Hennabun Group is engaged in provision of financial services including security brokerage, commodity trading, money lending, margin financing and corporate finance advisory as well as proprietary trading and direct investment. After completion of the Hennabun Shares Acquisition and/or the Hennabun Convertible Note Subscription, the Enlarged Group would continue to engage in the businesses as currently carried out by the Group and the Hennabun Group respectively. The Directors consider that such businesses rely heavily on the performance of the securities and property markets as well as the main-street economy. In view of the recent downturn of various investment markets and the unclear economic outlook, it is extremely difficult for the Directors to forecast the financial performance of the Enlarged Group and thus impracticable to prepare a relatively accurate consolidated income statement and balance sheet to support the working capital forecast of the Enlarged Group for the 12-month period from the date of this circular.

Notwithstanding the aforesaid and up to the Latest Practicable Date, the Directors are of the view that the Enlarged Group will have sufficient working capital for the 12-month period from the date of this circular due to the following reasons:

- (a) as disclosed in the “Unaudited pro forma financial information of the Enlarged Group” as set out in the Appendix III to this circular which illustrates the pro forma financial information of the Enlarged Group under scenarios (i) upon completion of the Hennabun Share Acquisition and the Hennabun Convertible Note Subscription; (ii) upon completion of the Hennabun Share Acquisition only; (iii) upon completion of the Hennabun Convertible Note Subscription only, the net current assets of the Enlarged Group as at 30 September 2008 in scenarios (i) and (ii) amounted to approximately HK\$1,063.6 million (or approximately HK\$700.4 million in scenario (iii)) which includes cash and bank balances of approximately HK\$473.8 million (or approximately HK\$100.2 million in scenario (iii)) and investments at fair value of approximately HK\$398.8 million (or approximately HK\$353.3 million in scenario (iii)) which could be promptly disposed of at the discretion of the Directors to provide sufficient working capital for the Enlarged Group if and when considered necessary;
- (b) based on the satisfactory repayment records of the debtors of the Enlarged Group, the Directors expect that all loans will be duly repaid by the debtors upon maturity;

- (c) there is no indication that the available financing, including banking facilities, granted to the Enlarged Group will be withdrawn by the counterparties in the near future; and
- (d) the Company has announced a rights issue on 12 January 2009 which is fully underwritten and is expected to raise a net proceeds of approximately HK\$103.8 million to HK\$104.9 million. The Company intended to utilize part of the net proceeds amounted to approximately HK\$90 million for the Hennabun Convertible Note Subscription.

After taking into account of the above, the Directors are of the view that, in the absence of unforeseen circumstances, it is reasonable to expect that the Enlarged Group will have sufficient working capital for the 12-month period from the date of this circular. In the event that working capital of the Enlarged Group becomes insufficient, the Directors will seek additional financing, including equity and/or debt financing to provide additional working capital to the Enlarged Group.

6. MATERIAL ADVERSE CHANGE

Save as referred to in the profit warning announcement by the Company dated 8 December 2008 and in the interim results of the Group for the six months ended 30 September 2008, the Directors are not aware of any material adverse change to the financial or trading position of the Group since 31 March 2008, the date to which the latest published audited financial statements of the Group were made up.

The following is the text of a letter, summary of value and valuation certificate, prepared for the purpose of incorporation in this circular received from Asset Appraisal Limited, an independent valuer, in connection with its valuation as at 30 November 2008 of the property interests held by the Enlarged Group.



Asset Appraisal Limited
資產評值顧問有限公司

Rm 802, 8/F, On Hong Commercial Building,
145 Hennessy Road Wanchai HK
香港灣仔軒尼詩道145號
安康商業大廈8樓802室
Tel : (852) 2529 9448 Fax : (852) 3521 9591

30 January 2009

The Board of Directors
Freeman Corporation Limited
8/F, China United Centre
28 Marble Road
North Point, Hong Kong.

Dear Sirs,

Re: Valuation of properties situated in Hong Kong and the People's Republic of China (the "PRC")

In accordance with the instructions from Freeman Corporation Limited (the "Company") to value the property interests (the "properties") held by the Company and Hennabun Capital Group Limited or their subsidiaries (collectively referred to as the "Enlarged Group"), we confirm that we have carried out inspections of the properties, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the properties as at 30 November 2008 (the "date of valuation").

BASIS OF VALUATION

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

TITLESHIP

We have been provided with copies of legal documents regarding the properties and we have also conducted land search in the Land Registry for properties situated in Hong Kong. However, we have not verified ownership of the properties and the existence of any encumbrances that would affect ownership of them.

For the property situated in the PRC, we have also relied upon the legal opinion provided by the PRC legal advisers, namely King & Wood PRC Lawyers (金杜律師事務所) (the “PRC Lawyer”), to the Company on the relevant laws and regulations in the PRC, on the nature of the Company’s land use rights in the property. Its material content has been summarized in the valuation certificate attached herewith.

VALUATION METHODOLOGY

The properties are valued by the comparison method where comparison based on prices realised or market prices of comparable properties is made. Comparable properties of similar size, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of capital values.

We have attributed no commercial value to the properties rented by the Enlarged Group due either to the short term nature of the leasehold interests in the properties or the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rent.

ASSUMPTIONS

Our valuation has been made on the assumption that the Enlarged Group sells the properties on the market without the benefit of deferred terms contracts, leaseback, joint ventures, management agreements or any similar arrangement which would serve to affect the values of the properties.

As the properties are held by the Enlarged Group by means of long term Government Leases or Land Use Rights granted by the Government, we have assumed that the owners have free and uninterrupted rights to use the properties for the whole of the unexpired term of the respective land lease terms or land use right term.

Other special assumptions for our valuation (if any) would be stated out in the footnotes of the valuation certificate attached herewith.

LIMITING CONDITIONS

No allowance has been made in our report for any charges, mortgages or amounts owing on the properties valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoing of an onerous nature, which could affect their values. Our valuation have been made on the assumption that the seller sells the property on the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the properties.

We have relied to a very considerable extent on the information given by the Enlarged Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have not carried out detailed site measurements to verify the correctness of the floor areas in respect of the properties but have assumed that the floor areas shown on the documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

We have inspected the exterior and, where possible, the interior of the buildings and structures of the properties. However, no structural survey has been made for them. In the course of our inspection, we did not note any apparent defects. We are not, however, able to report whether the buildings and structures inspected by us are free of rot, infestation or any structural defect. No test was carried out on any of the building services and equipment.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Enlarged Group. We have also sought confirmation from the Enlarged Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

In valuing the properties, we have complied with all the requirements contained in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the HKIS Valuation Standards on Properties (First Edition 2005) published by The Hong Kong Institute of Surveyors effective from 1 January 2005.

All the properties have been valued in Hong Kong Dollars (HK\$). The conversion of Renminbi (RMB) into “HK\$” is based on the factor of RMB0.882 = HK\$1.000 with reference to the prevailing exchange rate on the valuation date.

Our summary of valuation and valuation certificate are attached herewith.

Yours faithfully,
for and on behalf of
Asset Appraisal Limited

Sandra Lau

MFin MHKIS AAPI RPS(GP)

Director

Sandra Lau is a member of the Hong Kong Institute of Surveyors, an Associate of the Australian Property Institute and a Registered Professional Surveyor in General Practice. She is on the list of Property Valuers for Undertaking Valuations for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers of the Hong Kong Institute of Surveyors, Registered Business Valuer under the Hong Kong Business Forum and has over 10 years' experience in valuation of properties in Hong Kong, in Macau and in the PRC.

SUMMARY OF VALUATION

No.	Property	Market value as at existing state 30 November 2008
Group I – Properties held by the Enlarged Group for self-occupation		
1.	8th Floor, China United Centre, No. 28 Marble Road, North Point, Hong Kong.	HK\$43,260,000
2.	Units 1 and 2 on 11th Floor, China United Centre, No. 28 Marble Road, North Point, Hong Kong.	HK\$32,400,000
	Sub-total:	HK\$75,660,000
Group II – Properties held by the Enlarged Group for investment		
3.	Unit 3 on 11th Floor, China United Centre, No. 28 Marble Road, North Point, Hong Kong.	HK\$11,040,000
4.	Unit 1 on 16/F, China United Centre, No. 28 Marble Road, North Point, Hong Kong.	HK\$9,600,000
5.	Units 10 and 11 on 16/F, China United Centre, No. 28 Marble Road, North Point, Hong Kong.	HK\$12,900,000

No.	Property	Market value as at existing state 30 November 2008
6.	Unit 1 on 21st Floor, China United Centre, No. 28 Marble Road, North Point, Hong Kong.	HK\$9,870,000
7.	Unit 2 on 21st Floor, China United Centre, No. 28 Marble Road, North Point, Hong Kong.	HK\$3,260,000
8.	Unit 3 on 21st Floor, China United Centre, No. 28 Marble Road, North Point, Hong Kong.	HK\$2,860,000
9.	Unit 5 on 21st Floor, China United Centre, No. 28 Marble Road, North Point, Hong Kong.	HK\$2,660,000
10.	Unit 6 on 21st Floor, China United Centre, No. 28 Marble Road, North Point, Hong Kong.	HK\$2,860,000
11.	Unit 7 on 21st Floor, China United Centre, No. 28 Marble Road, North Point, Hong Kong.	HK\$2,860,000

No.	Property	Market value as at existing state 30 November 2008
12.	Units 8-9 on 21st Floor, China United Centre, No. 28 Marble Road, North Point, Hong Kong.	HK\$5,330,000
13.	Unit 10 on 21st Floor, China United Centre No. 28 Marble Road North Point Hong Kong	HK\$3,360,000
14.	Unit 11 on 21st Floor, China United Centre, No. 28 Marble Road, North Point, Hong Kong.	HK\$9,870,000
15.	Unit 2802 on 28th Floor, China United Centre, No. 28 Marble Road, North Point, Hong Kong.	HK\$7,920,000
16.	Unit 2803 on 28th Floor, China United Centre, No. 28 Marble Road, North Point, Hong Kong.	HK\$5,530,000
17.	Unit 2806 on 28th Floor, China United Centre, No. 28 Marble Road, North Point, Hong Kong.	HK\$3,850,000

No.	Property	Market value as at existing state 30 November 2008
18.	Units A, B, C, D and E, Ground Floor, No.230 Tung Chau Street, Tai Kok Tsui, Kowloon, Hong Kong.	HK\$4,200,000
19.	House No.3 Splendor Type on Sixth Street, House No.8 Splendor Type on Fifth Street, House No.1 Glamour Type, House No.12 Glamour Type, House No.13 Glamour Type and House No.18 Glamour Type, Phase I of Elephant Hill Villa, Rui Bian Village, Fu Rong Town, Huadu City, Guangdong Province, the PRC.	HK\$780,000
Sub-total:		<u>HK\$98,750,000</u>

Group III – Properties Rented by the Enlarged Group

No.	Property	Market value as at existing state 30 November 2008
20	26th Floor, China United Centre, “No.28 Marble Road”, No.28 Marble Road, North Point, Hong Kong.	No Commercial Value
21	30th Floor, China United Centre, “No.28 Marble Road”, No.28 Marble Road, North Point, Hong Kong.	No Commercial Value
22	31st Floor, China United Centre, “No.28 Marble Road”, No.28 Marble Road, North Point, Hong Kong.	No Commercial Value
23	Unit 1 (also Known as House No. A) Sunshine Villa No. 48 Mount Kellett Road Hong Kong.	No Commercial Value
Grand Total:		<hr/> HK\$174,410,000 <hr/>

VALUATION CERTIFICATE

Group I – Properties held by the Company for self-occupation

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 November 2008
1. 8th Floor, China United Centre, “No.28 Marble Road”, No.28 Marble Road, North Point, Hong Kong.	The subject property comprises an office unit on 8th Floor of a 30-storey office building completed in 1997. The gross floor area and saleable area of the property are approximately 10,963 sq.ft. and 8,551 sq.ft. respectively.	As at the valuation date, the subject property was owner occupied.	HK\$43,260,000
625/23400th share of and in Sub-Section 2, 4, 5 and the Remaining Portion of Section A, Section A, B and the Remaining Portion of Sub-Section 3 of Section A, Sub-Section 2, 3, 4, 5, 6 and the Remaining Portion of Section A of Sub-Section 1 of Section A of Inland Lot No. 3504.	The subject property is held under Conditions of Sale No. UB3369 for a term of 75 years renewable for a further term of 75 years commencing on 17 October 1932. The total ground rent payable for the subject lot sections is HK\$8,370 per annum.		

Notes:

- The registered owner of the property is Good Develop Limited (wholly-owned by the Company) registered via memorial no.07033100340018 dated 8 March 2007.
- The property is subject to a mortgage in favour of the Bank of Communications Co Ltd for all moneys vide memorial no.07033100340025 dated 8 March 2007.
- The property falls within an area zoned “Commercial/Residential” under Draft North Point Outline Zoning Plan No. S/H8/21 dated 27 July 2007.

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 November 2008
2. Units 1 and 2 on 11th Floor, China United Centre, "No.28 Marble Road", No.28 Marble Road, North Point, Hong Kong.	The subject property comprises two sub-divided office units on 11th Floor of a 30-storey office building completed in 1997.	As at the valuation date, the subject property was owner occupied.	HK\$32,400,000
650/23400th share of and in Sub-Section 2, 4, 5 and the Remaining Portion of Section A, Section A, B and the Remaining Portion of Sub-Section 3 of Section A, Sub-Section 2, 3, 4, 5, 6 and the Remaining Portion of Section A of Sub-Section 1 of Section A of Inland Lot No. 3504. (Re: Whole 11th Floor of China United Centre)	The gross floor area and saleable area of the property are approximately 8,176 sq.ft. and 6,377 sq.ft. respectively. The subject property is held under Conditions of Sale No. UB3369 for a term of 75 years renewable for a further term of 75 years commencing on 17 October 1932. The total ground rent payable for the subject lot sections is HK\$8,370 per annum.		

Notes:

1. The registered owner of the property is Sharp Light International Limited (wholly-owned by the Company) registered via memorial no.08010700490035 dated 28 December 2007.
2. The property is subject to a mortgage in favour of the Bank of Communications Co Ltd for all moneys vide memorial no.08040900810015 dated 31 March 2008.
3. The property falls within an area zoned "Commercial/Residential" under Draft North Point Outline Zoning Plan No. S/H8/21 dated 27 July 2007.
4. The property is subject to a Assignment of Rental in favour of the Bank of Communications Co Ltd vide memorial no. 08040900810021 dated 31 March 2008.

Group II – Properties held by the Company for investment

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 November 2008
3. Unit 3 on 11th Floor, China United Centre, “No.28 Marble Road”, No.28 Marble Road, North Point, Hong Kong. 650/23400th share of and in Sub-Section 2, 4, 5 and the Remaining Portion of Section A, Section A, B and the Remaining Portion of Sub-Section 3 of Section A, Sub-Section 2, 3, 4, 5, 6 and the Remaining Portion of Section A of Sub-Section 1 of Section A of Inland Lot No. 3504. (Re: Whole 11th Floor of China United Centre)	The subject property comprises a sub-divided office unit on 11th Floor of a 30-storey office building completed in 1997. The gross floor area and saleable area of the property are approximately 2,787 sq.ft. and 2,174 sq.ft. respectively. The subject property is held under Conditions of Sale No. UB3369 for a term of 75 years renewable for a further term of 75 years commencing on 17 October 1932. The total ground rent payable for the subject lot sections is HK\$8,370 per annum.	As at the valuation date, the subject property was tenanted for a term of 1 year commencing on 1 February 2008 and expiring on 31 January 2009 at a monthly rental of HK\$57,000 inclusive of rates and management charges.	HK\$11,040,000

Notes:

- The registered owner of the property is Sharp Light International Limited (wholly-owned by the Company) registered via memorial no. 08010700490035 dated 28 December 2007.
- The property is subject to a mortgage in favour of the Bank of Communications Co Ltd for all moneys vide memorial no. 08040900810015 dated 31 March 2008.
- The property is subject to a Assignment of Rental in favour of the Bank of Communications Co Ltd vide memorial no. 08040900810021 dated 31 March 2008.
- The property falls within an area zoned “Commercial/Residential” under Draft North Point Outline Zoning Plan No. S/H8/21 dated 27 July 2007.

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 November 2008
<p>4. Unit 1 on 16th Floor, China United Centre, "No.28 Marble Road", No.28 Marble Road, North Point, Hong Kong.</p> <p>160/23400th share of and in Sub-Section 2, 4, 5 and the Remaining Portion of Section A, Section A, B and the Remaining Portion of Sub-Section 3 of Section A, Sub-Section 2, 3, 4, 5, 6 and the Remaining Portion of Section A of Sub-Section 1 of Section A of Inland Lot No. 3504.</p>	<p>The subject property comprises an office unit on 16th Floor of a 30-storey office building completed in 1997.</p> <p>The gross floor area and saleable area of the property are approximately 2,482 sq.ft. and 1,613 sq.ft. respectively.</p> <p>The subject property is held under Conditions of Sale No. UB3369 for a term of 75 years renewable for a further term of 75 years commencing on 17 October 1932. The total ground rent payable for the subject lot sections is HK\$8,370 per annum.</p>	<p>As at the valuation date, the subject property was vacant.</p>	<p>HK\$9,600,000</p>

Notes:

1. The registered owner of the property is Swiss Ocean Limited (wholly-owned by the Company) registered via memorial no. 07070603190032 dated 8 June 2007.
2. The property is subject to a legal charge/mortgage for all monies in favour of the Bank of East Asia Limited via memorial no. 07070603190041 dated 8 June 2007.
3. The property falls within an area zoned "Commercial/Residential" under Draft North Point Outline Zoning Plan No. S/H8/21 dated 27 July 2007.

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 November 2008
5. Units 10 and 11 on 16th Floor, China United Centre, "No.28 Marble Road", No.28 Marble Road, North Point, Hong Kong.	<p>The subject property comprises two office units on 16th Floor of a 30-storey office building completed in 1997.</p> <p>The total gross floor area and total saleable area of the property are approximately 3,333 sq.ft. and 2,168 sq.ft. respectively.</p>	As at the valuation date, the subject property was tenanted for a term of 2 years commencing on 1 July 2007 and expiring on 30 June 2009 at a monthly rent of HK\$59,400 inclusive of rates and management charges.	HK\$12,900,000
215/23400th share of and in Sub-Section 2, 4, 5 and the Remaining Portion of Section A, Section A, B and the Remaining Portion of Sub-Section 3 of Section A, Sub-Section 2, 3, 4, 5, 6 and the Remaining Portion of Section A of Sub-Section 1 of Section A of Inland Lot No. 3504.	<p>The subject property is held under Conditions of Sale No. UB3369 for a term of 75 years renewable for a further term of 75 years commencing on 17 October 1932. The total ground rent payable for the subject lot sections is HK\$8,370 per annum.</p>		

Notes:

1. The registered owner of the property is Swiss Ocean Limited (wholly-owned by the Company) registered via memorial no. 07060700840012 dated 18 May 2007.
2. The property is subject to a legal charge/mortgage for all monies in favour of the Bank of Communications Limited via memorial no. 07060700840025 dated 18 May 2007.
3. The property falls within an area zoned "Commercial/Residential" under Draft North Point Outline Zoning Plan No. S/H8/21 dated 27 July 2007.

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 November 2008
<p>6. Unit 1 on 21st Floor, China United Centre, “No.28 Marble Road”, No.28 Marble Road, North Point, Hong Kong.</p> <p>170/23400th share of and in Sub-Section 2, 4, 5 and the Remaining Portion of Section A, Section A, B and the Remaining Portion of Sub-Section 3 of Section A, Sub-Section 2, 3, 4, 5, 6 and the Remaining Portion of Section A of Sub-Section 1 of Section A of Inland Lot No. 3504.</p>	<p>The subject property comprises an office unit on 21st Floor of a 30-storey office building completed in 1997.</p> <p>The gross floor area and saleable area of the property are approximately 2,482 sq.ft. and 1,613 sq.ft. respectively.</p> <p>The subject property is held under Conditions of Sale No. UB3369 for a term of 75 years renewable for a further term of 75 years commencing on 17 October 1932. The total ground rent payable for the subject lot sections is HK\$8,370 per annum.</p>	<p>As at the valuation date, the subject property was tenanted for a term of 11 months commencing on 1 February 2008 and expiring on 31 December 2008 at a monthly rent of HK\$39,456 exclusive of rates and management charges.</p>	<p>HK\$9,870,000</p>

Notes:

1. The registered owner of the property is Global Day Limited (wholly-owned by the Company) registered via memorial no. 07091701210036 dated 27 August 2007.
2. The property is subject to a mortgage for all monies in favour of Citibank (Hong Kong) Limited vide memorial no. 07091701210048 dated 27 August 2007.
3. The property falls within an area zoned “Commercial/Residential” under Draft North Point Outline Zoning Plan No. S/H8/21 dated 27 July 2007.

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 November 2008
7. Unit 2 on 21st Floor, China United Centre, "No.28 Marble Road", No.28 Marble Road, North Point, Hong Kong.	The subject property comprises an office unit on 21st Floor of a 30-storey office building completed in 1997.	As at the valuation date, the subject property was vacant.	HK\$3,260,000
55/23400th share of and in Sub-Section 2, 4, 5 and the Remaining Portion of Section A, Section A, B and the Remaining Portion of Sub-Section 3 of Section A, Sub-Section 2, 3, 4, 5, 6 and the Remaining Portion of Section A of Sub-Section 1 of Section A of Inland Lot No. 3504.	The subject property is held under Conditions of Sale No. UB3369 for a term of 75 years renewable for a further term of 75 years commencing on 17 October 1932. The total ground rent payable for the subject lot sections is HK\$8,370 per annum.		

Notes:

1. The registered owner of the property is Global Day Limited (wholly-owned by the Company) registered via memorial no. 06101800010253 dated 22 September 2006.
2. The property is subject to a legal charge/mortgage for all monies in favour of the Bank of East Asia Limited vide memorial no. 06101800010264 dated 22 September 2006.
3. The property falls within an area zoned "Commercial/Residential" under Draft North Point Outline Zoning Plan No. S/H8/21 dated 27 July 2007.

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 November 2008
8. Unit 3 on 21st Floor, China United Centre, "No.28 Marble Road", No.28 Marble Road, North Point, Hong Kong.	The subject property comprises an office unit on 21st Floor of a 30-storey office building completed in 1997. The gross floor area and saleable area of the property are approximately 709 sq.ft. and 460 sq.ft. respectively.	As at the valuation date, the subject property was vacant.	HK\$2,860,000
49/23400th share of and in Sub-Section 2, 4, 5 and the Remaining Portion of Section A, Section A, B and the Remaining Portion of Sub-Section 3 of Section A, Sub-Section 2, 3, 4, 5, 6 and the Remaining Portion of Section A of Sub-Section 1 of Section A of Inland Lot No. 3504.	The subject property is held under Conditions of Sale No. UB3369 for a term of 75 years renewable for a further term of 75 years commencing on 17 October 1932. The total ground rent payable for the subject lot sections is HK\$8,370 per annum.		

Notes:

1. The registered owner of the property is Victory Good Limited (wholly-owned by the Company) registered via memorial no. 06090600190083 dated 18 August 2006.
2. The property is subject to a legal charge/mortgage for all monies in favour of the Bank of East Asia Limited vide memorial no. 06090600190091 dated 18 August 2006.
3. The property falls within an area zoned "Commercial/Residential" under Draft North Point Outline Zoning Plan No. S/H8/21 dated 27 July 2007.

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 November 2008
9. Unit 5 on 21st Floor, China United Centre, "No.28 Marble Road", No.28 Marble Road, North Point, Hong Kong.	The subject property comprises an office unit on 21st Floor of a 30-storey office building completed in 1997.	As at the valuation date, the subject property was vacant.	HK\$2,660,000
45/23400th share of and in Sub-Section 2, 4, 5 and the Remaining Portion of Section A, Section A, B and the Remaining Portion of Sub-Section 3 of Section A, Sub-Section 2, 3, 4, 5, 6 and the Remaining Portion of Section A of Sub-Section 1 of Section A of Inland Lot No. 3504.	The subject property is held under Conditions of Sale No. UB3369 for a term of 75 years renewable for a further term of 75 years commencing on 17 October 1932. The total ground rent payable for the subject lot sections is HK\$8,370 per annum.		

Notes:

1. The registered owner of the property is Sharp Castle Limited (wholly-owned by the Company) registered via memorial no. 06101800010223 dated 22 September 2006.
2. The property is subject to a legal charge/mortgage for all monies in favour of the Bank of East Asia Limited vide memorial no. 06101800010234 dated 22 September 2006.
3. The property is subject to a Assignment of Rental in favour of the Bank of East Asia Limited vide memorial no.06112500240113 dated 22 September 2006.
4. The property falls within an area zoned "Commercial/Residential" under Draft North Point Outline Zoning Plan No. S/H8/21 dated 27 July 2007.

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 November 2008
10. Unit 6 on 21st Floor, China United Centre, "No.28 Marble Road", No.28 Marble Road, North Point, Hong Kong.	The subject property comprises an office unit on 21st Floor of a 30-storey office building completed in 1997.	As at the valuation date, the subject property was vacant.	HK\$2,860,000
49/23400th share of and in Sub-Section 2, 4, 5 and the Remaining Portion of Section A, Section A, B and the Remaining Portion of Sub-Section 3 of Section A, Sub-Section 2, 3, 4, 5, 6 and the Remaining Portion of Section A of Sub-Section 1 of Section A of Inland Lot No. 3504.	The subject property is held under Conditions of Sale No. UB3369 for a term of 75 years renewable for a further term of 75 years commencing on 17 October 1932. The total ground rent payable for the subject lot sections is HK\$8,370 per annum.		

Notes:

1. The registered owner of the property is Sharp Castle Limited (wholly-owned by the Company) registered via memorial no. 07042700630026 dated 2 April 2007.
2. The property is subject to a legal charge/mortgage for all monies in favour of the Bank of East Asia Limited via memorial no. 07042700630039 dated 2 April 2007.
3. The property is subject to a Assignment of Rental in favour of the Bank of East Asia Limited vide memorial no. 07042700630041 dated 2 April 2007.
4. The property falls within an area zoned "Commercial/Residential" under Draft North Point Outline Zoning Plan No. S/H8/21 dated 27 July 2007.

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 November 2008
11. Unit 7 on 21st Floor, China United Centre, "No.28 Marble Road", No.28 Marble Road, North Point, Hong Kong.	The subject property comprises an office unit on 21st Floor of a 30-storey office building completed in 1997. The gross floor area and saleable area of the property are approximately 717 sq.ft. and 468 sq.ft. respectively.	As at the valuation date, the subject property was tenanted for a term of 1 year commencing on 1 March 2008 and expiring on 28 February 2009 at a monthly rent of HK\$9,100 exclusive of rates and management charges.	HK\$2,860,000
49/23400th share of and in Sub-Section 2, 4, 5 and the Remaining Portion of Section A, Section A, B and the Remaining Portion of Sub-Section 3 of Section A, Sub-Section 2, 3, 4, 5, 6 and the Remaining Portion of Section A of Sub-Section 1 of Section A of Inland Lot No. 3504.	The subject property is held under Conditions of Sale No. UB3369 for a term of 75 years renewable for a further term of 75 years commencing on 17 October 1932. The total ground rent payable for the subject lot sections is HK\$8,370 per annum.		

Notes:

1. The registered owner of the property is Freeman Investment Holdings Limited (wholly-owned by the Company) registered via memorial no. 06090900010046 dated 18 August 2006.
2. The property is subject to a legal charge/mortgage for all monies in favour of the Bank of East Asia Limited via memorial no. 06090900010050 dated 18 August 2006.
3. The property is subject to a Assignment of Rental in favour of the Bank of East Asia Limited vide memorial no. 06101300160078 dated 18 August 2006.
4. The property falls within an area zoned "Commercial/Residential" under Draft North Point Outline Zoning Plan No. S/H8/21 dated 27 July 2007.

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 November 2008
12. Units 8-9 on 21st Floor, China United Centre, "No.28 Marble Road", No.28 Marble Road, North Point, Hong Kong. 91/23400th share of and in Sub-Section 2, 4, 5 and the Remaining Portion of Section A, Section A, B and the Remaining Portion of Sub-Section 3 of Section A, Sub-Section 2, 3, 4, 5, 6 and the Remaining Portion of Section A of Sub-Section 1 of Section A of Inland Lot No. 3504.	The subject property comprises an office unit on 21st Floor of a 30-storey office building completed in 1997. The gross floor area and saleable area of the property are approximately 1,326 sq.ft. and 862 sq.ft. respectively. The subject property is held under Conditions of Sale No. UB3369 for a term of 75 years renewable for a further term of 75 years commencing on 17 October 1932. The total ground rent payable for the subject lot sections is HK\$8,370 per annum.	As at the valuation date, the subject property was tenanted for a term of 2 years commencing from 1 February 2008 and expiring on 31 January 2010 at a monthly rent of HK\$27,000 inclusive of rates and management charges.	HK\$5,330,000

Notes:

1. The registered owner of the property is Freeman Investment Holdings Limited (wholly-owned by the Company) registered via memorial no. 07042700630056 dated 2 April 2007.
2. The property is subject to a legal charge/mortgage for all monies in favour of the Bank of East Asia Limited vide memorial no. 07042700630060 dated 2 April 2007.
3. The property falls within an area zoned "Commercial/Residential" under Draft North Point Outline Zoning Plan No. S/H8/21 dated 27 July 2007.

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 November 2008
13. Unit 10 on 21st Floor, China United Centre, “No.28 Marble Road”, No.28 Marble Road, North Point, Hong Kong.	<p>The subject property comprises an office unit on 21st Floor of a 30-storey office building completed in 1997.</p> <p>The gross floor area and saleable area of the property are approximately 851 sq.ft. and 555 sq.ft. respectively.</p> <p>The subject property is held under Conditions of Sale No. UB3369 for a term of 75 years renewable for a further term of 75 years commencing on 17 October 1932. The total ground rent payable for the subject lot sections is HK\$8,370 per annum.</p>	As at the valuation date, the subject property was vacant.	HK\$3,360,000
58/23400th share of and in Sub-Section 2, 4, 5 and the Remaining Portion of Section A, Section A, B and the Remaining Portion of Sub-Section 3 of Section A, Sub-Section 2, 3, 4, 5, 6 and the Remaining Portion of Section A of Sub-Section 1 of Section A of Inland Lot No. 3504.			

Notes:

1. The registered owner of the property is Global Day Limited (wholly-owned by the Company) registered via memorial no. 07042700630079 dated 2 April 2007.
2. The property is subject to a legal charge/mortgage for all monies in favour of the Bank of East Asia Limited via memorial no. 07042700630085 dated 2 April 2007.
3. The property is subject to a Assignment of Rental in favour of the Bank of East Asia Limited vide memorial no. 07042700630094 dated 2 April 2007.
4. The property falls within an area zoned “Commercial/Residential” under Draft North Point Outline Zoning Plan No. S/H8/21 dated 27 July 2007.

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 November 2008
14. Unit 11 on 21st Floor, China United Centre, "No.28 Marble Road", No.28 Marble Road, North Point, Hong Kong.	<p>The subject property comprises an office unit on 21st Floor of a 30-storey office building completed in 1997.</p> <p>The gross floor area and saleable area of the property are approximately 2,482 sq.ft. and 1,613 sq.ft. respectively.</p>	As at the valuation date, the subject property was tenanted for a term of 11 months commencing on 1 February 2008 and expiring on 31 December 2008 at a monthly rent of HK\$39,712 exclusive of rates and management charges.	HK\$9,870,000
171/23400th share of and in Sub-Section 2, 4, 5 and the Remaining Portion of Section A, Section A, B and the Remaining Portion of Sub-Section 3 of Section A, Sub-Section 2, 3, 4, 5, 6 and the Remaining Portion of Section A of Sub-Section 1 of Section A of Inland Lot No. 3504.	The subject property is held under Conditions of Sale No. UB3369 for a term of 75 years renewable for a further term of 75 years commencing on 17 October 1932. The total ground rent payable for the subject lot sections is HK\$8,370 per annum.		

Notes:

- The registered owner of the property is Freeman Investment Holdings Limited (wholly-owned by the Company) registered via memorial no. 07091701210054 dated 27 August 2007.
- The property is subject to a legal charge/mortgage for all monies in favour of The Bank of East Asia Limited vide memorial no. 07091701210068 dated 27 August 2007.
- The property is subject to an Assignment of Rental in favour of The Bank of East Asia Limited vide memorial no. 07091701210076 dated 27 August 2007.
- The property falls within an area zoned "Commercial/Residential" under Draft North Point Outline Zoning Plan No. S/H8/21 dated 27 July 2007.

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 November 2008
15. Unit 2802 on 28th Floor, China United Centre, “No.28 Marble Road”, No.28 Marble Road, North Point, Hong Kong. 161/23400th share of and in Sub-Section 2, 4, 5 and the Remaining Portion of Section A, Section A, B and the Remaining Portion of Sub-Section 3 of Section A, Sub-Section 2, 3, 4, 5, 6 and the Remaining Portion of Section A of Sub-Section 1 of Section A of Inland Lot No. 3504.	The subject property comprises an office unit on 28th Floor of a 30-storey office building completed in 1997. The saleable area of the property is approximately 1,260 sq.ft. The subject property is held under Conditions of Sale No. UB3369 for a term of 75 years renewable for a further term of 75 years commencing on 17 October 1932. The total ground rent payable for the subject lot sections is HK\$8,370 per annum.	As at the valuation date, the subject property was vacant.	HK\$7,920,000

Notes:

1. The registered owner of the property is Easy Step Limited (wholly-owned by the Company) registered via memorial no. 08120200370013 dated 10 November 2008.
2. The property falls within an area zoned “Commercial/Residential” under Draft North Point Outline Zoning Plan No. S/H8/21 dated 27 July 2007.

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 November 2008
16. Unit 2803 on 28th Floor, China United Centre, "No.28 Marble Road", No.28 Marble Road, North Point, Hong Kong. 113/23400th share of and in Sub-Section 2, 4, 5 and the Remaining Portion of Section A, Section A, B and the Remaining Portion of Sub-Section 3 of Section A, Sub-Section 2, 3, 4, 5, 6 and the Remaining Portion of Section A of Sub-Section 1 of Section A of Inland Lot No. 3504.	The subject property comprises an office unit on 28th Floor of a 30-storey office building completed in 1997. The saleable area of the property is approximately 875 sq.ft. The subject property is held under Conditions of Sale No. UB3369 for a term of 75 years renewable for a further term of 75 years commencing on 17 October 1932. The total ground rent payable for the subject lot sections is HK\$8,370 per annum.	As at the valuation date, the subject property was tenanted for a term of 1 year commencing on 1 August 2008 to 31 July 2009 at a monthly rent of HK\$26,586 inclusive of rates and management charges.	HK\$5,530,000

Notes:

1. The registered owner of the property is Easy Step Limited (wholly-owned by the Company) registered via memorial no. 06082301260182 dated 31 July 2006.
2. The property is subject to a mortgage in favour of the Bank of Communications Co Ltd vide memorial no. 06082301260195 dated 31 July 2006.
3. The property falls within an area zoned "Commercial/Residential" under Draft North Point Outline Zoning Plan No. S/H8/21 dated 27 July 2007.

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 November 2008
<p>17. Unit 2806 on 28th Floor, China United Centre, “No.28 Marble Road”, No.28 Marble Road, North Point, Hong Kong.</p> <p>73/23400th share of and in Sub-Section 2, 4, 5 and the Remaining Portion of Section A, Section A, B and the Remaining Portion of Sub-Section 3 of Section A, Sub-Section 2, 3, 4, 5, 6 and the Remaining Portion of Section A of Sub-Section 1 of Section A of Inland Lot No. 3504.</p>	<p>The subject property comprises an office unit on 28th Floor of a 30-storey office building completed in 1997.</p> <p>The gross floor area and saleable area of the property are approximately 962 sq.ft. and 605 sq.ft. respectively.</p> <p>The subject property is held under Conditions of Sale No. UB3369 for a term of 75 years renewable for a further term of 75 years commencing on 17 October 1932. The total ground rent payable for the subject lot sections is HK\$8,370 per annum.</p>	<p>As at the valuation date, the subject property was tenanted for a term commencing on 16 June 2008 and expiring on 9 June 2009 at a monthly rent of HK\$17,316 inclusive of rates and management charges.</p>	<p>HK\$3,850,000</p>

Notes:

1. The registered owner of the property is Easy Step Limited (wholly-owned by the Company) registered via memorial no. 06051901290015 dated 28 April 2006.
2. The property is subject to a mortgage in favour of the Bank of Communications Co Ltd vide memorial no. 06072601120062 dated 7 July 2006.
3. The property falls within an area zoned “Commercial/Residential” under Draft North Point Outline Zoning Plan No. S/H8/21 dated 27 July 2007.

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 November 2008
18. Units A, B, C, D and E, Ground Floor, No. 230 Tung Chau Street, Tai Kok Tsui, Kowloon, Hong Kong.	<p>The subject property comprises five sub-divided shop units on ground floor of a 6-storey tenement building completed in 1960.</p> <p>The total saleable area of the property is approximately 1,023 sq.ft.</p>	<p>As at the valuation date Unit A was subject to a tenancy for a term of 1 year commencing on 21 March 2008 and expiring on 20 March 2009 at a monthly rent of HK\$2,750.</p>	HK\$4,200,000
2/12th share of and in Sub-Section 1 of Section C of New Kowloon Inland Lot No. 49.	<p>The subject property is held under Government Lease for a term of 75 years renewable for a further term of 24 years commencing on 1 July 1898. It was statutorily extended to 30 June 2047 with a condition of annual rent payment assessed by 3% of the rateable value.</p>	<p>Units B, C and D were vacant.</p> <p>Unit E was subject to a tenancy for a term of 1 years commencing on 1 April 2008 and expiring on 31 March 2009 at a monthly rent of HK\$5,445.</p>	

Notes:

1. The registered owner of the property is Sharp Assets Limited (wholly-owned by the Company) registered via memorial no. 06083100600096 dated 4 August 2006.
2. The property is subject to a mortgage in favour of the Bank of Communications Co Ltd vide memorial no. 06083100600107 dated 4 August 2006.
3. The property is subject to a Assignment of Rentals in favour of the Bank of Communications Co Ltd vide memorial no. 06083100600113 dated 4 August 2006.
4. The property falls within an area zoned "Urban Renewal Authority Development Scheme Plan Area" under Draft Cheung Sha Wan Outline Zoning Plan No. S/K5/31 dated 3 June 2008.

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 November 2008
19. House No.3 Splendor Type on Sixth Street, House No.8 Splendor Type on Fifth Street, House No.1 Glamour Type, House No.12 Glamour Type, House No.13 Glamour Type and House No.18 Glamour Type, Phase I of Elephant Hill Villa, Rui Bian Village, Fu Rong Town, Huadu City, Guangdong Province, the PRC.	The subject property comprises six blocks of 2-storey garden house in Phase I of Elephant Hill Villa which was completed in 1995. The property has a total gross floor area of the property is approximately 885.72 square metres. The property is held for a term of 70 years commencing on 25 July 1993 and expiring on 25 July 2063.	As at the valuation date, the subject property was vacant.	HK\$780,000

Note:

1. As stipulated in six sets of Building Ownership Certificate (房屋所有權証) dated either 19 August 1995 or 6 September 1995, the property is held by Win Advance Development Limited (榮進發展有限公司) which is wholly-owned by the Company.
2. The opinion of King & Wood (the PRC Lawyer) on the property is summarized as follows:
 - 2.1 Having conducted title and encumbrance search for the property in the Guangzhou Land Resources and Property Administrative Huadu Bureau (廣州市國土資源和房地產管理局花都分局), the PRC Lawyer has confirmed that the building portion of the property is held by 榮進發展有限公司 (Win Advance Development Limited);

- 2.2 the registered certificate numbers (房產證號) of the Building Ownership Certificate of the respective houses of the property are as follows:

House No.1 Glamour Type	Certificate No. 3727987
House No.12 Glamour Type	Certificate No. 3727990
House No.13 Glamour Type	Certificate No. 3727991
House No.18 Glamour Type	Certificate No. 3727994
House No.3 Splendor Type on Sixth Street	Certificate No. 3727988
House No.8 Splendor Type on Fifth Street	Certificate No. 3727989

- 2.3 up to 22 December 2008 (being the date when title search was conducted), the building ownership rights of the property were not subject to mortgage or court seizure order and hence the building ownership rights were free from any encumbrance.
- 2.4 as confirmed by the Guangzhou Land Resources and Property Administrative Huadu Bureau, no Land Use Right Certificate was registered for the property. In this regard, the status of titleship and encumbrance status to the land ownership rights of the property cannot be ascertained.
3. In our valuation, we have assumed that the owner of the property shall have no legal impediment and not subject to any payment of substantial amount in completing registration procedures for the land ownership rights of the property.

Group III – Properties Rented by the Enlarged Group

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 November 2008
20. 26th Floor, China United Centre, “No.28 Marble Road”, No.28 Marble Road, North Point, Hong Kong. 832/23400th share of and in Sub-Section 2, 4, 5 and the Remaining Portion of Section A, Section A, B and the Remaining Portion of Sub-Section 3 of Section A, Sub-Section 2, 3, 4, 5, 6 and the Remaining Portion of Section A of Sub-Section 1 of Section A of Inland Lot No. 3504.	The subject property comprises an office unit on 26th Floor of a 30-storey office building completed in 1997. The gross floor area and saleable area of the property are approximately 11,187 sq.ft. and 8,726 sq.ft. respectively. The subject property is rented by the Enlarged Group under a tenancy agreement for a term of 1 year commencing on 1 September 2008 and expiring on 31 August 2009 at a monthly rent of HK\$310,000 exclusive of rates and management charges.	The property is occupied by the Enlarged Group as offices.	No Commercial Value

Notes:

1. The registered owner of the property is Wealth Elegant Investments Limited registered via memorial no. 07081701830076 dated 20 July 2007.
2. Pursuant to a tenancy agreement dated 1 September 2008, Chung Nam Securities Limited (a wholly owned subsidiary of the Enlarged Group) rented the property from Wealth Elegant Investments Limited, an independent third party to the Enlarged Group.

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 November 2008
21. 30th Floor, China United Centre, "No.28 Marble Road", No.28 Marble Road, North Point, Hong Kong.	The subject property comprises an office unit on 30th Floor of a 30-storey office building completed in 1997.	The property is occupied by the Enlarged Group as offices.	No Commercial Value
875/23400th share of and in Sub-Section 2, 4, 5 and the Remaining Portion of Section A, Section A, B and the Remaining Portion of Sub-Section 3 of Section A, Sub-Section 2, 3, 4, 5, 6 and the Remaining Portion of Section A of Sub-Section 1 of Section A of Inland Lot No. 3504.	The gross floor area and saleable area of the property are approximately 11,262 sq.ft. and 8,784 sq.ft. respectively. The subject property is rented by the Enlarged Group under a tenancy agreement for a term of 1 years commencing on 1 October 2008 and expiring on 30 September 2009 at a monthly rent of HK\$310,000 exclusive of rates and management charges.		

Notes:

1. The registered owner of the property is Wiseteam Assets Limited registered via memorial no. 05070200880032 dated 8 June 2005.
2. Pursuant to a tenancy agreement dated 1 October 2008, Chung Nam Securities Limited (a wholly owned subsidiary of the Enlarged Group) rented the property from Wiseteam Assets Limited, an independent third party to the Enlarged Group.

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 November 2008
22. 31st Floor, China United Centre, "No.28 Marble Road", No.28 Marble Road, North Point, Hong Kong.	The subject property comprises an office unit on 31st Floor of a 30-storey office building completed in 1997.	The property is occupied by the Enlarged Group as offices.	No Commercial Value
887/23400th share of and in Sub-Section 2, 4, 5 and the Remaining Portion of Section A, Section A, B and the Remaining Portion of Sub-Section 3 of Section A, Sub-Section 2, 3, 4, 5, 6 and the Remaining Portion of Section A of Sub-Section 1 of Section A of Inland Lot No. 3504.	The gross floor area and saleable area of the property are approximately 11,262 sq.ft. and 8,784 sq.ft. respectively. The subject property is rented by the Enlarged Group under a tenancy agreement for a term of 1 year commencing on 1 September 2008 and expiring on 31 August 2009 at a monthly rent of HK\$310,000 exclusive of rates and management charges.		

Notes:

1. The registered owner of the property is Silver Target Limited registered via memorial no. 05021602640108 dated 17 January 2005.
2. Pursuant to a tenancy agreement dated 1 September 2008, Chung Nam Securities Limited (a wholly owned subsidiary of the Enlarged Group) rented the property from Silver Target Limited, an independent third party to the Enlarged Group.

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 November 2008
23. Unit 1 (also Known as House No. A) Sunshine Villa No. 48 Mount Kellett Road Hong Kong.	The property is a 3-storey detached house erected over a podium. The property was completed in 1996.	The property is occupied by the Enlarged Group as staff quarters.	No Commercial Value
3279/28000th shares of and in Rural Building Lot No. 96 and the Extensions Thereto.	<p>The saleable area of the property is approximately 2,546 square feet, the garden area is approximately 1222 square feet, the yard area is 385 square feet. In addition, the property is commanding a side roof area of 177 square feet and a top roof area of 755 square feet.</p> <p>The subject property is rented by the Enlarged Group under a tenancy agreement for a term of 1 year commencing on 1 September 2008 and expiring on 31 August 2009 at a monthly rent of HK\$210,000 inclusive of rates and management charges.</p>		

Notes:

1. The registered owner of the property is Apex Novel Limited registered via memorial no. 05021802700042 dated 31 January 2005.
2. Pursuant to a tenancy agreement dated 1 September 2008, Chung Nam Securities Limited (a wholly owned subsidiary of the Enlarged Group) rented the property from Apex Novel Limited, an independent third party to the Enlarged Group.

PROPERTY RECONCILIATION

Group I – Properties held by the Enlarged Group for self-occupation

Property	8th Floor, China United Centre, No. 28 Marble Road, North Point, Hong Kong.	Units 1 and 2 on 11th Floor, China United Centre, No. 28 Marble Road, North Point, Hong Kong.
Carrying value as at 31 March 2008 <i>(Note 1)</i>	HK\$34,402,634.32	HK\$37,055,137.00
Depreciation for the eight months ended 30 November 2008 <i>(Note 2)</i>	HK\$(407,365.68)	HK\$(317,716.12)
Currency realignment for the eight months ended 30 November 2008 <i>(Note 3)</i>	nil	nil
Carrying value as at 30 November 2008 <i>(Note 4)</i>	HK\$33,995,268.64	HK\$36,737,420.88
Revaluation Surplus/(Deficit) of 100% property interest <i>(Note 5)</i>	HK\$9,264,731.36	HK\$(4,337,420.88)
Valuation Report as at 30 November 2008	HK\$43,260,000.00	HK\$32,400,000.00

Notes:–

1. extracted from note from the balance sheet to this circular and the management account of the Company for the period ended 31 March 2008
2. extracted from the management account of the Company for the period ended 30 November 2008
3. extracted from the management account of the Company for the period ended 30 November 2008
4. extracted from the management account of the Company for the period ended 30 November 2008
5. pursuant to the revaluation of the properties (see Appendix V to this circular). Such revaluation surplus/deficit will not be recorded in the Company's accounts as the Company's land and buildings are stated at cost less accumulated depreciation and currency realignment (if any)

Group II – Properties held by the Enlarged Group for investment

Property	Unit 3 on 11th Floor, China United Centre, No. 28 Marble Road, North Point, Hong Kong.	Unit 1 on 16/F, China United Centre, No. 28 Marble Road, North Point, Hong Kong.	Units 10 and 11 on 16/F, China United Centre, No. 28 Marble Road, North Point, Hong Kong.	Unit 1 on 21st Floor, China United Centre, No. 28 Marble Road, North Point, Hong Kong.
Carrying value as at 31 March 2008 <i>(Note 1)</i>	HK\$12,278,765.00	HK\$10,980,000.00	HK\$14,740,000.00	HK\$11,030,000.00
Depreciation for the eight months ended 30 November 2008 <i>(Note 2)</i>	nil	nil	nil	nil
Currency realignment for the eight months ended 30 November 2008 <i>(Note 3)</i>	nil	nil	nil	nil
Carrying value as at 30 November 2008 <i>(Note 4)</i>	HK\$12,278,765.00	HK\$10,980,000.00	HK\$14,740,000.00	HK\$11,030,000.00
Revaluation Surplus/(Deficit) of 100% property interest <i>(Note 5)</i>	HK\$(1,238,765.00)	HK\$(1,380,000.00)	HK\$(1,840,000.00)	HK\$(1,160,000.00)
Valuation Report as at 30 November 2008	HK\$11,040,000.00	HK\$9,600,000.00	HK\$12,900,000.00	HK\$9,870,000.00

Notes:–

1. extracted from the balance sheet to this circular and the management account of the Company for the period ended 31 March 2008
2. extracted from the management account of the Company for the period ended 30 November 2008
3. extracted from the management account of the Company for the period ended 30 November 2008
4. extracted from the management account of the Company for the period ended 30 November 2008
5. pursuant to the revaluation of the properties (see Appendix V to this circular). Such revaluation surplus/deficit will not be recorded in the Company's accounts as the Company's land and buildings are stated at cost less accumulated depreciation and currency realignment (if any)

APPENDIX V**VALUATION REPORT ON PROPERTIES
HELD BY THE ENLARGED GROUP**

Property	Unit 2 on 21st Floor, China United Centre, No. 28 Marble Road, North Point, Hong Kong.	Unit 3 on 21st Floor, China United Centre, No. 28 Marble Road, North Point, Hong Kong.	Unit 5 on 21st Floor, China United Centre, No. 28 Marble Road, North Point, Hong Kong.	Unit 6 on 21st Floor, China United Centre, No. 28 Marble Road, North Point, Hong Kong.
Carrying value as at 31 March 2008 (<i>Note 1</i>)	HK\$3,590,000.00	HK\$3,150,000.00	HK\$2,930,000.00	HK\$3,190,000.00
Depreciation for the eight months ended 30 November 2008 (<i>Note 2</i>)	nil	nil	nil	nil
Currency realignment for the eight months ended 30 November 2008 (<i>Note 3</i>)	nil	nil	nil	nil
Carrying value as at 30 November 2008 (<i>Note 4</i>)	HK\$3,590,000.00	HK\$3,150,000.00	HK\$2,960,120.00	HK\$3,190,000.00
Revaluation Surplus/(Deficit) of 100% property interest (<i>Note 5</i>)	HK\$(330,000.00)	HK\$(290,000.00)	HK\$(300,120.00)	HK\$(330,000.00)
Valuation Report as at 30 November 2008	HK\$3,260,000.00	HK\$2,860,000.00	HK\$2,660,000.00	HK\$2,860,000.00

Notes:–

1. extracted from the balance sheet to this circular and the management account of the Company for the period ended 31 March 2008
2. extracted from the management account of the Company for the period ended 30 November 2008
3. extracted from the management account of the Company for the period ended 30 November 2008
4. extracted from the management account of the Company for the period ended 30 November 2008
5. pursuant to the revaluation of the properties (see Appendix V to this circular). Such revaluation surplus/deficit will not be recorded in the Company's accounts as the Company's land and buildings are stated at cost less accumulated depreciation and currency realignment (if any)

APPENDIX V**VALUATION REPORT ON PROPERTIES
HELD BY THE ENLARGED GROUP**

Property	Unit 7 on 21st Floor, China United Centre, No. 28 Marble Road, North Point, Hong Kong.	Units 8-9 on 21st Floor, China United Centre, No. 28 Marble Road, North Point, Hong Kong.	Unit 10 on 21st Floor, China United Centre, No. 28 Marble Road, North Point, Hong Kong.	Unit 11 on 21st Floor, China United Centre, No. 28 Marble Road, North Point, Hong Kong.
Carrying value as at 31 March 2008 <i>(Note 1)</i>	HK\$3,190,000.00	HK\$5,890,000.00	HK\$3,780,000.00	HK\$11,030,000.00
Depreciation for the eight months ended 30 November 2008 <i>(Note 2)</i>	nil	nil	nil	nil
Currency realignment for the eight months ended 30 November 2008 <i>(Note 3)</i>	nil	nil	nil	nil
Carrying value as at 30 November 2008 <i>(Note 4)</i>	HK\$3,190,000.00	HK\$5,890,000.00	HK\$3,780,000.00	HK\$11,030,000.00
Revaluation Surplus/(Deficit) of 100% property interest <i>(Note 5)</i>	HK\$(330,000.00)	HK\$(560,000.00)	HK\$(420,000.00)	HK\$(1,160,000.00)
Valuation Report as at 30 November 2008	HK\$2,860,000.00	HK\$5,330,000.00	HK\$3,360,000.00	HK\$9,870,000.00

Notes:—

1. extracted from the balance sheet to this circular and the management account of the Company for the period ended 31 March 2008
2. extracted from the management account of the Company for the period ended 30 November 2008
3. extracted from the management account of the Company for the period ended 30 November 2008
4. extracted from the management account of the Company for the period ended 30 November 2008
5. pursuant to the revaluation of the properties (see Appendix V to this circular). Such revaluation surplus/deficit will not be recorded in the Company's accounts as the Company's land and buildings are stated at cost less accumulated depreciation and currency realignment (if any)

APPENDIX V**VALUATION REPORT ON PROPERTIES
HELD BY THE ENLARGED GROUP**

Property	Unit 2802 on 28th Floor, China United Centre, No. 28 Marble Road, North Point, Hong Kong.	Unit 2803 on 28th Floor, China United Centre, No. 28 Marble Road, North Point, Hong Kong.	Unit 2806 on 28th Floor, China United Centre, No. 28 Marble Road, North Point, Hong Kong.	Units A, B, C, D and E, Ground Floor, No. 230 Tung Chau Street, Tai Kok Tsui, Kowloon, Hong Kong.
Carrying value as at 31 March 2008 (<i>Note 1</i>)	nil	HK\$6,200,000.00	HK\$4,300,000.00	HK\$4,500,000.00
Depreciation for the eight months ended 30 November 2008 (<i>Note 2</i>)	nil	nil	nil	nil
Currency realignment for the eight months ended 30 November 2008 (<i>Note 3</i>)	nil	nil	nil	nil
Carrying value as at 30 November 2008 (<i>Note 4</i>)	HK\$11,154,208.00	HK\$6,200,000.00	HK\$4,300,000.00	HK\$4,500,000.00
Revaluation Surplus/(Deficit) of 100% property interest (<i>Note 5</i>)	HK\$(3,234,208.00)	HK\$(670,000.00)	HK\$(450,000.00)	HK\$(300,000.00)
Valuation Report as at 30 November 2008	HK\$7,920,000.00	HK\$5,530,000.00	HK\$3,850,000.00	HK\$4,200,000.00

Notes:—

1. extracted from the balance sheet to this circular and the management account of the Company for the period ended 31 March 2008
2. extracted from the management account of the Company for the period ended 30 November 2008
3. extracted from the management account of the Company for the period ended 30 November 2008
4. extracted from the management account of the Company for the period ended 30 November 2008
5. pursuant to the revaluation of the properties (see Appendix V to this circular). Such revaluation surplus/deficit will not be recorded in the Company's accounts as the Company's land and buildings are stated at cost less accumulated depreciation and currency realignment (if any)

	House No.3 Splendor Type on Sixth Street, House No.8 Splendor Type on Fifth Street, House No.1 Glamour Type, House No.12 Glamour Type, House No.13 Glamour Type and House No.18 Glamour Type, Phase I of Elephant Hill Villa, Rui Bian Village, Fu Rong Town, Huadu City, Guangdong Province, the PRC.
Property	
Carrying value as at 31 March 2008 <i>(Note 1)</i>	HK\$800,000.00
Depreciation for the eight months ended 30 November 2008 <i>(Note 2)</i>	nil
Currency realignment for the eight months ended 30 November 2008 <i>(Note 3)</i>	nil
Carrying value as at 30 November 2008 <i>(Note 4)</i>	HK\$800,000.00
Revaluation Surplus/(Deficit) of 100% property interest <i>(Note 5)</i>	HK\$(20,000.00)
Valuation Report as at 30 November 2008	HK\$780,000.00

Notes:–

1. extracted from the balance sheet to this circular and the management account of the Company for the period ended 31 March 2008
2. extracted from the management account of the Company for the period ended 30 November 2008
3. extracted from the management account of the Company for the period ended 30 November 2008
4. extracted from the management account of the Company for the period ended 30 November 2008
5. pursuant to the revaluation of the properties (see Appendix V to this circular). Such revaluation surplus/deficit will not be recorded in the Company's accounts as the Company's land and buildings are stated at cost less accumulated depreciation and currency realignment (if any)

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts not contained herein the omission of which would make any statement contained in this circular misleading.

2. SHARE CAPITAL

The authorized and issued share capital of the Company as at the Latest Practicable Date and immediately following issue of the Conversion Shares upon fully exercise the conversion right attached to the FCL Convertible Note will be as follows (assuming no further Shares are issued or repurchased by the Company after the Latest Practicable Date up to the date of issue of the Conversion Shares).

<i>Authorized</i>		<i>HK\$</i>
<u>50,000,000,000</u>	Shares as at the Latest Practicable Date	<u>5,000,000,000</u>
<i>Issue and fully paid or credited as full paid:</i>		
977,317,496	Shares in issue as at the Latest Practicable Date	97,731,750
961,818,181	Conversion Shares to be issued upon exercise in full the conversion rights under the FCL Convertible Note at the initial conversion price of HK\$0.11	<u>96,181,818</u>
<u>1,939,135,677</u>	Shares immediately following such conversion assuming the conversion rights under the FCL Convertible Notes will be fully exercised	<u>193,913,568</u>

All of the Shares in issue rank *pari passu* in all aspects, including all rights as to dividend, voting and interest in capital, among themselves and with all other Shares in issue on the date of issue.

3. DISCLOSURE OF INTERESTS

(a) Interests of Directors

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), the Model Code for Securities Transactions by Directors of Listed Companies and which were required to be entered into the register required to be kept under section 352 of the SFO were as follows:–

Long positions in Shares

Name of Director	Capacity	Number of Shares	Approximate percentage of shareholding
Yang Fan Shing, Andrew	Beneficial owner	400,000	0.04%
Yang Fan Shing, Andrew	Interest of spouse	140,000	0.01%
Kwok Wai Ming	Beneficial owner	4,668,000	0.48%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company had any interests and short positions in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), the Model Code for Securities Transactions by Directors of Listed Companies and which were required to be entered into the register required to be kept under section 352 of the SFO.

(b) Interests of Shareholders

As at the Latest Practicable Date, so far as is known to the Directors and the chief executives of the Company, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the Shares and underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly interested in 10 per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at a general meeting of any member of the Enlarged Group.

(i) Interest in the Shares and underlying Shares:*Long positions in Shares*

Name of Shareholder	Capacity	Number of Shares	Approximate percentage of shareholding
Willie International Holdings Limited <i>Note 1</i>	Interest of controlled corporation	87,721,360	8.98%
Get Nice Holdings Limited <i>Note 2</i>	Interest of controlled corporation	986,926,396	50%
Get Nice Incorporated <i>Note 2</i>	Interest of controlled corporation	986,926,396	50%
Get Nice Securities Limited <i>Note 2</i>	Beneficial owner	986,926,396	50%

Note 1: These shares held by Pearl Decade Limited, which is wholly-owned by Nice Hill International Limited, which in turn is a wholly-owned subsidiary of Rawcliffe International Limited, which in turn is a wholly-owned subsidiary of Willie International Holdings Limited (stock code: 273) whose shares are listed on the main board of the Stock Exchange.

Note 2: As announced by the Company on 12 January 2009, the Company had entered into an underwriting agreement (“Underwriting Agreement”) with Get Nice Securities Limited (“Get Nice”) on 8 January 2009 in relation to a proposed rights issue of the Company. Pursuant to the Underwriting Agreement, Get Nice agreed to fully underwrite not less than 977,317,496 rights shares and not more than 986,926,396 rights shares to be issued and allotted by the Company under the proposed rights issue. Get Nice is wholly owned by Get Nice Incorporated which in turns is wholly owned by Get Nice Holdings Limited. Further information on the proposed rights issue is set out in the announcement of the Company dated 12 January 2009.

(ii) Interest in Hennabun Group

Equity Spin Investments Limited held 3,937,133,333 shares representing approximately 79.46% of the issued share capital of Hennabun Capital Group Limited.

Save as disclosed above, the Directors and the chief executives of the Company are not aware that there is any person (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 and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10 per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at a general meeting of any other member of the Enlarged Group.

(c) As at the Latest Practicable Date:–

- (i) none of the Directors, Mazars CPA Limited, Ernst and Young, Deloitte Touche Tohmatsu, King & Wood and Asset Appraisal Limited had any direct or indirect interests in any assets which have since 31 March 2008 (being the date to which the latest published audited consolidated financial statements of the Group) been acquired or disposed of by or leased to any members of the Enlarged Group, or are proposed to be acquired or disposed of by or leased to any members of the Enlarged Group;
- (ii) none of the Directors was materially interested in any contracts or arrangements entered into by any members of the Enlarged Group subsisting as at the Latest Practicable Date which is significant in relation to the business of the Enlarged Group; and

- (iii) Mazars CPA Limited, Ernst and Young, Deloitte Touche Tohmatsu, King & Wood and Asset Appraisal Limited do not have any shareholding in any member of the Enlarged Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group.

4. MATERIAL CONTRACTS

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

- (i) a conditional placing agreement dated 16 February 2007 entered into between the Company and Kingston Securities Limited relating to a placing of 346,000,000 new shares in the capital of the Company at a price of HK\$0.10 per share on an underwritten basis;
- (ii) a conditional placing agreement dated 16 February 2007 entered into between the Company and Kingston Securities Limited relating to a placing of 654,000,000 new shares in the capital of the Company at a price of HK\$0.10 per share on a best effort basis;
- (iii) an underwriting agreement dated 23 March 2007 entered into between the Company and Get Nice Securities Limited relating to an underwriting of not less than 1,236,986,824 rights shares and not more than 1,563,986,824 rights shares at HK\$0.12 per share on an fully underwritten basis;
- (iv) a placing agreement dated 21 May 2007 between the Company and Get Nice Securities Limited relating to a placing of 494,000,000 new shares in the capital of the Company at a price of HK\$0.13 per share;
- (v) a sale and purchase agreement date 29 June 2007 entered into between the Company and Mr. Chuang relating to the sale and purchase of 100% of the entire issued share capital of Equity Spin, a wholly-owned subsidiary of the Company and the shareholder loan owed by Equity Spin to the Company at a consideration of HK\$50,000,000;
- (vi) a placing agreement dated 29 June 2007 entered into between the Company and Chung Nam Securities Limited relating to a placing of 1,086,552, 000 new shares in the capital of the Company at a price of HK\$0.182 per share;

- (vii) a conditional placing agreement dated 11 July 2007, a supplemental agreement dated 20 August 2007 and termination deed dated 3 December 2007 entered into between the Company and Chung Nam Securities Limited relating to a placing of redeemable zero coupon convertible notes due in the year 2011 in an aggregate principal amount of up to HK\$1,500,000,000 with the initial conversion price of HK\$0.12 per share;
- (viii) a joint venture agreement dated 3 September 2007 entered into between Freeman Caring Asses Management Limited (“FCAML”), a wholly-owned subsidiary of the Company, and 北京王鼎市場營銷諮詢有限公司 (“JV Partner”) relating to the establishment of a sino-foreign equity joint venture company in the PRC with registered share capital of RMB50,000,000 of which FCAML will contribute RMB35,000,000 and the JV Partner will contribute RMB15,000,000, representing 70% and 30% respectively;
- (ix) a sale and purchase agreement dated 22 October 2007 entered into between Freeman Financial Corporation (“FFC”), a wholly-owned subsidiary of the Company, and Evolution Master Fund Ltd. SPC, Segregated Portfolio M relating to the sale and purchase of 20% of the entire issued share capital of FFSL, a company wholly-owned by FFC, at a consideration of HK\$120,000,000;
- (x) a deed of settlement dated 29 October 2007 entered into among two subsidiaries of the Company (namely, Cinergy Holdings Limited and Cinergy Financial Services Limited), Dr. Yang Fan Shing, Andrew (the Chairman of the Company), Ms. Yang Wai Yan, Veronica, Ms. Yang Wai Shan, Elsa, (who being directors of Cinergy Holdings Limited and Cinergy Financial Services Limited), Mr. To King Wah, Joseph and Sun Life Hong Kong Limited (“Sun Life”) relating to the settlement of the arbitration proceedings among the above-mentioned parties. The arbitration proceedings was attributable to the disputes among the parties arising from providing financial support by Sun Life to Cinery Holdings Limited for the purpose of establishing a general agency structure for carrying on the business of providing services to customers on or in connection with the marketing and sale of insurance and other financial products of Sun Life. Pursuant to this deed of settlement, the Group had paid HK\$6.3 million to Sun Life Hong Kong Limited;
- (xi) an underwriting agreement dated 3 December 2007 (as amended by supplemental agreement dated 4 December 2007 and 21 May 2008) entered into between the Company and Get Nice Securities Limited in relation to the underwriting of not less than 4,072,156,235 rights shares of the Company at a price of HK\$0.12 per each rights share. The estimated net proceeds were not less than HK\$474.3 million;

- (xii) a deed of settlement dated 24 September 2008 entered with Winning Horse Limited (WHL), a wholly owned subsidiary of Radford Capital Investment Limited (RCIL) (stock code: 901), pursuant to which WHL agreed to procure that RCIL issues the convertible bond to the Group in full and final settlement of the loan of HK\$25 million;
- (xiii) a sales and purchase agreement dated 23 October 2008 between Easy Step Limited (ES), a wholly-owned subsidiary of the Company, and Dai Sun Jewellery Company Limited (DSJ), pursuant to which ES agreed to purchase and DSJ agreed to sell the property located at unit 2801 on 28th floor, China United Centre, no. 28 Marble Road, North Point, Hong Kong, for a cash consideration of HK\$14,177,500;
- (xiv) a sales and purchase agreement dated 10 November 2008 between Easy Step Limited (ES), a wholly-owned subsidiary of the Company, and Workable Holdings Company Limited (WH), pursuant to which ES agreed to purchase and WH agreed to sell the property located at unit 2802 on 28th floor, China United Centre, no. 28 Marble Road, North Point, Hong Kong, for a cash consideration of HK\$10,720,200;
- (xv) the S&P Agreement;
- (xvi) the CN Subscription Agreement; and
- (xvii) an underwriting agreement dated 8 January 2009 entered into between the Company and Get Nice Securities Limited relating to an underwriting of not less than 977,317,496 rights shares and not more than 986,926,396 rights shares at a price of HK\$0.11 per Share on an fully underwritten basis.

5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has entered into any service agreement with any member of the Enlarged Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

6. LITIGATION

Save as disclosed in the Letter from the Board, as at the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation or arbitration proceedings of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Enlarged Group.

7. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and his/her respective associates was considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group other than those businesses to which the Directors and his/her associates were appointed to represent the interests of the Company and/or the Group.

8. EXPERTS AND CONSENTS

The following is the qualification of the experts who have given opinion or advice which are contained in this circular:

Name	Qualification
Mazars CPA Limited	Certified Public Accountants
Ernst and Young	Certified Public Accountants
Deloitte Touche Tohmatsu	Certified Public Accountants
King & Wood	PRC Lawyer
Asset Appraisal Limited	Registered Professional Surveyor

Each of Mazars CPA Limited, Ernst and Young, Deloitte Touche Tohmatsu, King & Wood and Asset Appraisal Limited has given and has not withdrawn its consent to the issue of this circular with the inclusion of its report or letter, as the case may be, and reference to its names in the form and context in which it respectively appears.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the registered office of the Company at 8th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong up to and including the date of the EGM:–

- (i) the memorandum and articles of association of the Company;
- (ii) the annual reports of the Company for the three financial years ended 31 March 2006, 31 March 2007 and 31 March 2008;

- (iii) the report from Mazars CPA Limited on the financial information of the Hennabun Group for the three years ended 31 December 2007 and nine months ended 30 September 2008, the text of which is set out in Appendix II of this circular;
- (iv) the report from Ernst and Young on unaudited pro forma financial information of the Enlarged Group dated 30 January 2009, the text of which is set out in Appendix III of this circular;
- (v) the valuation report from Asset Appraisal Limited on properties held by the Enlarged Group, the text of which is set out in Appendix V of this circular;
- (vi) the PRC Legal opinion from King & Wood on a property held by the Enlarged Group in the PRC, which is referred to in Appendix V of this circular;
- (vii) the written consents referred to in the paragraph headed “Experts and Consents” in this appendix;
- (viii) all material contracts referred to in the paragraph headed “Material Contracts” in this appendix; and
- (ix) the following circulars of the Company:–
 - (a) the circular dated 25 November 2008 in relation to a discloseable transaction – acquisition of property.
 - (b) the circular dated 18 November 2008 in relation to a discloseable transaction – acquisition property.
 - (c) the circular dated 14 October 2008 in relation to discloseable transaction – subscription of convertible bond.
 - (d) the circular dated 26 September 2008 in relation to a discloseable transaction – provision of financial information.

10. GENERAL

- (i) The company secretary of the Company is Mr. Chan Hon Wan, who is an associate member of the Hong Kong Institute of Certified Public Accountants.
- (ii) The branch share registrar and transfer office of the Company is Tricor Secretaries Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (iii) The English version of this circular shall prevail over the Chinese text.

NOTICE OF EGM



FREEMAN CORPORATION LIMITED

民豐控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 279)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Freeman Corporation Limited (the “Company”) will be held at 9:00 a.m. on 16 February 2009 at 30th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong for the purpose of considering and, if thought fit, passing the following resolutions at as ordinary resolutions:–

ORDINARY RESOLUTIONS

1. **“THAT:**

- (a) the conditional agreement (“Agreement”) dated 25 November 2008 entered into by Equity Spin Investments Limited (the “Vendor”) as vendor, Mr. Chuang Eugene Yue-chien (“Mr. Chuang”, as guarantor of the Vendor) and Freeman Financial Services Limited (“FFSL”), a wholly owned subsidiary of the Company as purchaser in relation to, inter alia, the sale and purchase of 3,937,133,333 shares of US\$0.01 representing approximately 79.46% the issued share capital of Hennabun Capital Group Limited (“Hennabun”) for a consideration of HK\$105,800,000 to be satisfied by the issue of a non interest bearing convertible note (“Convertible Note”) in the principal amount of HK\$105,800,000 by the Company to the Vendor (a copy of which has been produced to this meeting and marked “A” and initialed by the chairman for identification) and the transactions contemplated thereunder be and are hereby confirmed, approved and ratified;
- (b) the issue of the Convertible Note convertible into shares of the Company at an initial subscription price of HK\$0.11 per share, subject to adjustments (“Conversion Shares”) in accordance with the terms and conditions of the Convertible Note set out in the Agreement be and is hereby approved;
- (c) the issue of the Conversion Shares upon exercise of conversion rights under the Convertible Note to the holder(s) of the Convertible Note by the Company be and are hereby approved; and

NOTICE OF EGM

- (d) the directors of the Company be and are hereby authorised to do all such acts and things, to sign and execute all such further documents and to take such steps as the directors may in their absolute discretion consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Agreement, issue of the Convertible Note and the Conversion Shares or any of the transactions contemplated thereunder.”

2. **“THAT**

- (a) the conditional agreement (“CN Subscription Agreement”) dated 25 November 2008 (as amended by a supplemental agreement date 23 January 2009) entered into by FFSL, Mr. Chuang (as guarantor of Hennabun) and Hennabun pursuant to which, inter alia, FFSL agreed to subscribe for an interest bearing convertible note (“Hennabun Convertible Note”) in the principal amount of HK\$250 million for a consideration of HK\$250 million (a copy of the CN Subscription Agreement and the Hennabun Convertible Note set out in the CN Subscription Agreement has been produced to this meeting and marked “B” for the purpose of identification) and the transactions contemplated thereunder be and are hereby confirmed, approved and ratified;
- (b) the directors of the Company be and are hereby authorised to do all such acts and things, to sign and execute all such further documents and to take such steps as the directors may in their absolute discretion consider necessary, appropriate, desirable or expedient to give effect to or in connection with the CN Subscription Agreement, subscription of the Hennabun Convertible Note or any of the transactions contemplated thereunder.”

By the Order of the Board
FREEMAN CORPORATION LIMITED
Lo Kan Sun
Managing Director

Hong Kong, 30 January, 2009

NOTICE OF EGM

Notes:

1. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney authorised in writing or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.
2. Any member of the Company entitled to attend and vote at the meeting shall be entitled to appoint another person as his proxy to attend and vote instead of him. A proxy duly appointed pursuant to the articles of association of the Company is entitled to vote on a show of hands at the meeting. On a poll votes may be given either personally or by proxy. A proxy need not be a member of the Company. A member may appoint more than one proxy to attend on the same occasion.
3. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed for a notarially certified copy of that power or authority shall be deposited at the Company's share registrar in Hong Kong, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not less than 48 hours before the time for holding the meeting or the adjourned meeting or poll (as the case may be) at which the person named in such instrument proposes to vote, and in default the instrument of proxy shall not be treated as valid.
4. Where there are joint registered holders of any share, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members in respect of such share shall alone be entitled to vote in respect thereof.