THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold all your shares in China Fortune Group Limited (the "Company"), you should at once hand this circular to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.

This circular is for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for any shares in the Company.

中國富強集團有限公司
China Fortune Group Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 290)

Website: http://www.290.com.hk

(I) VERY SUBSTANTIAL ACQUISITIONS AND CONNECTED TRANSACTIONS – ACQUISITIONS OF THE REMAINING 49% INTEREST IN EACH OF EXCALIBUR SECURITIES LIMITED AND EXCALIBUR FUTURES LIMITED

(II) ISSUANCE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE

(III) REFRESHMENT OF GENERAL MANDATE TO ISSUE SHARES

(IV) REFRESHMENT OF SCHEME MANDATE LIMIT AND (V) NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial Adviser to the Company

VEDA | CAPITAL
智略資本

Independent Financial Adviser to the Independent Board Committee and Independent Shareholders

永豐金證券(亞洲)有限公司
SinoPac Securities (Asia) Limited

A letter from the independent board committee of the Company is set out from pages 55 to 56 of this circular. A letter from SinoPac Securities (Asia) Limited containing its advice to the independent board committee and independent shareholders of the Company is set out from pages 57 to 80 of this circular.

The notice convening the extraordinary general meeting of the Company to be held at Room 3503, 35th Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong on 29 May 2009 at 11:30 a.m. (the "EGM") is set out on pages 285 to 291 of this circular. A form of proxy for the EGM is enclosed with this circular of the Company. Whether or not you propose to attend the EGM, you are requested to complete the form of proxy and return the same to the Company's branch share registrar in Hong Kong, Union Registrars Limited at Rooms 1901-02, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong in accordance with the instructions printed thereon not less than 48 hours before the time appointed for the EGM. Completion and delivery of the form of proxy will not preclude you from attending and voting at the EGM if you so wish.

8 May 2009

CONTENTS

Unless the context otherwise requires, terms or expressions used in this circular shall have the meanings ascribed to them below:

"2009 EFL Net Profit"	net profit after tax of Excalibur Futures attributable to the shareholders of Excalibur Futures as reflected in the audited financial statements of Excalibur Futures prepared in accordance with Hong Kong Financial Reporting Standards and disclosure requirements of the Companies Ordinance for the financial year ending on 31 December 2009
"2009 EFL Profit Guarantee"	the guarantee given by the EFL Vendor in favour of the Purchaser that the 2009 EFL Net Profit shall not be less than HK$4.5 million
"2009 ESL Net Profit"	net profit after tax of Excalibur Securities attributable to the shareholders of Excalibur Securities as reflected in the audited financial statements of Excalibur Securities prepared in accordance with Hong Kong Financial Reporting Standards and disclosure requirements of the Companies Ordinance for the financial year ending on 31 December 2009
"2009 ESL Profit Guarantee"	the guarantee given by the ESL Vendor in favour of the Purchaser that the 2009 ESL Net Profit shall not be less than HK$10 million
"2010 EFL Net Profit"	net profit after tax of Excalibur Futures attributable to the shareholders of Excalibur Futures as reflected in the audited financial statements of Excalibur Futures prepared in accordance with Hong Kong Financial Reporting Standards and disclosure requirements of the Companies Ordinance for the financial year ending on 31 December 2010
"2010 EFL Profit Guarantee"	the guarantee given by the EFL Vendor in favour of the Purchaser that the 2010 EFL Net Profit shall not be less than HK$5 million
"2010 ESL Net Profit"	net profit after tax of Excalibur Securities attributable to the shareholders of Excalibur Securities as reflected in the audited financial statements of Excalibur Securities prepared in accordance with Hong Kong Financial Reporting Standards and disclosure requirements of the Companies Ordinance for the financial year ending on 31 December 2010

"2010 ESL Profit Guarantee"	the guarantee given by the ESL Vendor in favour of the Purchaser that the 2010 ESL Net Profit shall not be less than HK$12 million
"Adjusted NAV"	the unaudited consolidated net asset value of the Company as at 30 September 2008 with adjustments from (a) the acquisition of 51% of Excalibur Securities; (b) the acquisition of 51% of Excalibur Futures; (c) the issue of 80 million new Shares at the issue price of HK$0.25 per Share; and (d) the issue of HK$50 million zero interest convertible notes due in 2012, all of which were completed in February 2009 and subsequent to the date of the interim accounts of the Group for the six months ended 30 September 2008
"AGM"	the annual general meeting of the Company held on 29 August 2008 granting, among others, to allot, issue and deal with up to 20% of the then issued share capital of the Company as at 29 August 2008 and the refreshment of Scheme Mandate Limit
"Announcement"	announcement of the Company dated 16 March 2009 in relation to, among others, the ESL Acquisition and EFL Acquisition
"associate"	has the meaning ascribed thereto under the Listing Rules
"Board"	the board of Directors
"Business Day"	a day (other than Saturday and days on which a tropical cyclone warning No. 8 or above or a "black rainstorm warning signal" is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which banks are open in Hong Kong for general banking business
"Company"	China Fortune Group Limited, a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Stock Exchange
"connected persons"	has the meaning ascribed thereto under the Listing Rules

"Conversion Price"	HK$0.16 per Share
"Director(s)"	the director(s) of the Company
"EFL Acquisition"	the sale and purchase of the EFL Sale Shares pursuant to the EFL Agreement
"EFL Agreement"	the conditional sale and purchase agreement dated 6 March 2009 entered into between the EFL Vendor and the Purchaser in relation to the EFL Acquisition
"EFL Bondholder(s)"	holder(s) of the EFL Convertible Bonds
"EFL Completion"	completion of the EFL Agreement
"EFL Completion Date"	date of completion of the EFL Agreement
"EFL Conversion Conditions"	conditions for the conversion of the EFL Convertible Bonds as set out in the section headed "EFL Convertible Bonds"
"EFL Conversion Shares"	new Shares falling to be allotted and issued upon exercise of the conversion rights attached to the EFL Convertible Bonds
"EFL Convertible Bonds"	the zero coupon convertible bonds due three years from the date of issue for a principal amount of HK$9.8 million
"EFL Long Stop Date"	the day falling 6 months of the date of the EFL Agreement, i.e. 5 September 2009
"EFL Sale Shares"	a total of 9,800,000 ordinary shares of EFL, which represents 49% of the issued share capital of Excalibur Futures
"EFL Vendor" or "ESL Vendor" (as the case may be)	Pioneer (China) Limited, a company incorporated in Hong Kong and is interested in the EFL Sale Shares and the ESL Sale Shares

"EGM"	an extraordinary general meeting of the Company to be convened and held on 29 May 2009 to approve, among others, the ESL Acquisition, the EFL Acquisition and the transactions contemplated thereunder, the issuance of the Top Good Convertible Bonds and the Top Good Conversion Shares to be allotted and issued upon the exercise of the conversion rights attaching to the Top Good Convertible Bonds under the Specific Mandate, the refreshment of Existing General Mandate and the refreshment of Existing Scheme Mandate Limit
"Enlarged Group"	the Group immediately after ESL Completion and EFL Completion
"ESL Acquisition"	the sale and purchase of the ESL Sale Shares pursuant to the ESL Agreement
"ESL Agreement"	the conditional sale and purchase agreement dated 6 March 2009 entered into between the ESL Vendor and the Purchaser in relation to the ESL Acquisition
"ESL Bondholder(s)"	holder(s) of the ESL Convertible Bonds
"ESL Completion"	completion of the ESL Agreement
"ESL Completion Date"	date of completion of the ESL Agreement
"ESL Conversion Conditions"	conditions for the conversion of the ESL Convertible Bonds as set out in the section headed "ESL Convertible Bonds"
"ESL Conversion Shares"	new Shares falling to be allotted and issued upon exercise of the conversion rights attached to the ESL Convertible Bonds
"ESL Convertible Bonds"	the zero coupon convertible bonds due three years from the date of issue for a principal amount of HK$19.2 million
"ESL Long Stop Date"	the day falling 6 months of the date of the ESL Agreement, i.e. 5 September 2009
"ESL Sale Shares"	a total of 9,800,000 ordinary shares of ESL, which represents 49% of the issued share capital of Excalibur Securities

"Excalibur Futures"	Excalibur Futures Limited, a company incorporated in Hong Kong with limited liability and is owned as to 49% and as to 51% by the EFL Vendor and the Purchaser respectively as the date hereof
"Excalibur Securities"	Excalibur Securities Limited, a company incorporated in Hong Kong with limited liability and is owned as to 49% and as to 51% by the ESL Vendor and the Purchaser respectively as the date hereof
"Exchange Participant"	has the meaning given to it under the rules of the Stock Exchange and "Exchange Participantship" shall be construed accordingly
"Existing General Mandate"	the general mandate granted at the AGM to the Directors to allot, issue and deal with 92,814,000 new Shares, being 20% of the issued share capital of the Company as at the date of the AGM
"Existing Scheme Mandate Limit"	the total number of Shares in respect of which options may be granted pursuant to the Share Option Scheme and any other share option schemes of the Company, not exceeding 10% of the issued share capital of the Company as at the date of passing the relevant resolution to approve the general limit at the AGM
"Futures Exchange"	Hong Kong Futures Exchange Limited
"General Mandate Independent Shareholders"	Shareholders other than the controlling Shareholders and their respective associates, or where there are no controlling Shareholders, Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates
"Group"	the Company and its subsidiaries
"Hong Kong"	The Hong Kong Special Administrative Region of the PRC;

"Independent Board Committee"	a committee of the Board comprising all the independent non-executive Directors formed for the purpose of advising and giving recommendation to the Independent Shareholders regarding the ESL Acquisition, the EFL Acquisition and the transactions contemplated thereunder and the refreshment of Existing General Mandate
"ESL and EFL Independent Shareholders"	Shareholders other than the ESL Vendor and the EFL Vendor and its associates
"Independent Shareholders"	together ESL and EFL Independent Shareholders and General Mandate Independent Shareholders
"Independent Third Party(ies)"	third party(ies) independent of the Company and connected persons (as defined under the Listing Rules) of the Company and are not connected persons (as defined under the Listing Rules) of the Company
"Last Trading Day"	6 March 2009, being the last trading day before the publication of the Announcement
"Latest Practicable Date"	8 May 2009, being the latest practicable date prior to the printing of this circular for inclusion of certain information in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Purchaser"	Fortune Financial (Holdings) Limited, a company incorporated in the British Virgin Islands, a wholly-owned subsidiary of the Company and is interested in 51% of each of Excalibur Securities and Excalibur Futures as at the Latest Practicable Date
"PRC"	People's Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

"Refreshed General Mandate"	the proposed refreshment of general mandate at the EGM pursuant to which the Directors shall be granted to allot, issue and deal with additional Shares not exceeding 20% of the issued share capital of the Company as at the date of the EGM and any additional Shares repurchased by the Company pursuant to the general repurchase mandate granted to the Directors at the AGM
"Refreshed Scheme Mandate Limit"	the proposed refreshment of the Existing Scheme Mandate Limit at the EGM pursuant to which the Board may grant options to eligible participants under the Existing Scheme Mandate Limit and any other share option schemes of the Company to subscribe for up to 10% of the Shares in issue as at the date of the EGM
"SFC"	Securities and Futures Commission
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Scheme Mandate Limit"	the total number of Shares which may be issued upon exercise of all Share Options to be granted by the Board under the Share Option Scheme to subscribe up to 10% of the Shares in issue as at the date of passing the relevant ordinary resolution. If the Scheme Mandate Limit is refreshed, the total number of Shares which may be issued upon exercise of all options to be granted must not in aggregate exceed 10% of the Shares in issue as at the date of passing the relevant ordinary resolution
"Share(s)"	ordinary shares of HK$0.10 each in the capital of the Company
"Share Option(s)"	options granted or to be granted under the existing share option scheme of the Company approved and adopted by the Shareholders on 12 February 2003
"Share Option Scheme"	the share option scheme of the Company approved and adopted by the Shareholders on 12 February 2003 and is valid and effective for a period of 10 years after the date of adoption
"Shareholder(s)"	holder(s) of the Shares;

"SinoPac"	SinoPac Securities (Asia) Limited, a licensed corporation under the SFO permitted to carry out type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities, and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the ESL Acquisition and EFL Acquisition and the transactions contemplated thereunder and the refreshment of Existing General Mandate
"Specific Mandate"	the specific mandate proposed to be sought at the EGM to authorize the Directors to allot and issue the Top Good Conversion Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscriber"	Top Good Holdings Limited, a company incorporated in Hong Kong with limited liability and is wholly and beneficially owned by PME Group Limited, a company whose shares are listed on the main board of the Stock Exchange
"Subscription"	the subscription of the Top Good Convertible Bonds by the Subscriber pursuant to the terms of the Subscription Agreement
"Subscription Agreement"	the subscription agreement dated 6 May 2009 and entered into between the Company and the Subscriber in relation to the subscription and issue of the Top Good Convertible Bonds in the principal amount of HK$32 million due three years from the date of issue at an exercise price of HK$0.16 per Top Good Conversion Share
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"Top Good CB Completion"	completion of the Subscription Agreement in accordance with its terms and conditions
"Top Good CB Holder(s)"	means the person who is for the time being the holder of the Top Good Convertible Bonds
"Top Good CB Independent Shareholders"	Shareholders other than the Subscriber

"Top Good Conversion Shares"	the Shares which may fall to be allotted and issued upon exercise of the conversion rights attaching to the Top Good Convertible Bonds
"Top Good Convertible Bonds"	the zero coupon convertible bonds at principal amount of HK$32 million due three years from the date of issue to be issued by the Company to the Subscriber pursuant to the Subscription Agreement
"Trading Right"	the exchange trading right of the Stock Exchange legally and beneficially owned by Excalibur Securities
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"%"	per cent.

集團有限公司
China Fortune Group Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 290)

Website: http://www.290.com.hk

Executive Directors:
Mr. Sun Tak Yan, Desmond *(Chairman)*
Mr. Ng Cheuk Fan, Keith *(Managing Director)*
Mr. Yeung Kwok Leung

Independent Non-executive Directors:
Mr. Ng Kay Kwok
Mr. Lam Ka Wai, Graham
Mr. Tam B Ray Billy

Registered office:
P.O. Box 309, Ugland House
Grand Cayman, KY1-1104
Cayman Islands

Head office and principal place of business in Hong Kong:
13/F., Sunning Plaza
10 Hysan Avenue
Causeway Bay, Hong Kong

8 May 2009

To the Shareholders

Dear Sirs or Madams,

(I) VERY SUBSTANTIAL ACQUISITIONS AND CONNECTED TRANSACTIONS – ACQUISITIONS OF THE REMAINING 49% INTEREST IN EACH OF EXCALIBUR SECURITIES LIMITED AND EXCALIBUR FUTURES LIMITED

(II) ISSUANCE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE

(III) REFRESHMENT OF GENERAL MANDATE TO ISSUE SHARES

(IV) REFRESHMENT OF SCHEME MANDATE LIMIT

INTRODUCTION

Reference is made to the Announcement in relation to which, amongst other things, the entering into of the ESL Agreement between ESL Vendor and the Purchaser; and EFL Agreement between EFL Vendor and the Purchaser.

In accordance with Rule 14.22 and Rule 14.23 of the Listing Rules, the aggregation of the acquisitions of 51% and then the remaining 49% of Excalibur Securities; and the acquisitions of 51% and then the remaining 49% of Excalibur Futures constitute very substantial acquisitions for the Company and are subject to disclosure requirements under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, (i) the ESL Vendor or the EFL Vendor (as the case may be) is interested in as to 49% of both the issued share capital of Excalibur Securities and Excalibur Futures which are both 51% subsidiaries of the Company; (ii) a substantial Shareholder, Mr. Lao Chio Kuan, is interested in as to approximately 50.92% of the ESL Vendor or the EFL Vendor (as the case may be), thus the ESL Vendor or the EFL Vendor (as the case may be) is an associate of the Company. The ESL Acquisition and the EFL Acquisition accordingly constitute connected transactions of the Company and is subject to the approval of the Independent Shareholders at the EGM.

With reference to the announcement of the Company dated 6 May 2009, the Subscription Agreement was entered into between the Company and the Subscriber on the same date in respect of the issuance of the Top Good Convertible Bonds at the principal amount of HK$32,000,000 under the Specific Mandate.

The purpose of this circular is to provide the Shareholders with, among other things, (i) further details of the acquisitions and information of Excalibur Securities and Excalibur Futures; (ii) the accountants' reports of Excalibur Securities and Excalibur Futures; (iii) pro forma financial information of the Enlarged Group; (iv) details of the issuance of Top Good Convertible Bonds under Specific Mandate; (v) details of the refreshment of the Existing General Mandate; (vi) details of the refreshment of the Existing Scheme Mandate Limit; and (vii) a notice of the EGM for the purpose of, among others, approving the ESL Acquisition, EFL Acquisition and the transactions contemplated thereunder, the issuance of the Top Good Convertible Bonds under Specific Mandate, the refreshment of the Existing General Mandate, and the proposed refreshment of the Existing Scheme Mandate Limit in accordance with the Listing Rules.

VERY SUBSTANTIAL ACQUISITIONS AND CONNECTED TRANSACTIONS

(I) Acquisition of 49% interest of Excalibur Securities

Reference in this section is made to the Announcement and announcements of the Company dated 30 May 2008, 18 August 2008, 24 September 2008, 3 November 2008, 2 February 2009 and 19 February 2009, and the circular of the Company dated 30 June 2008 in relation to, among others, the acquisition of 51% of the issued share capital of Excalibur Securities.

The ESL Agreement

Date: 6 March 2009

Parties: (1) The ESL Vendor

(2) The Purchaser

The ESL Vendor is an investment holding company and is interested in 49% of the issued share capital of Excalibur Securities and Excalibur Futures (of which the Purchaser is interested as to 51% respectively).

Assets to be acquired

The ESL Sale Shares, representing 49% of the issued share capital of Excalibur Securities.

Consideration

The consideration of HK$19.2 million for the sale and purchase of the ESL Sale Shares was determined after arm's length negotiation between the ESL Vendor and the Purchaser and the basis of determining and arriving at the consideration was by making reference to the consideration of the acquisition of 51% interest in Excalibur Securities by the Group, which was completed in February 2009, the 2009 ESL Profit Guarantee as well as the 2010 ESL Profit Guarantee and by way of comparison with market comparables of price earnings ratios of companies listed on the Stock Exchange with principal business engaged in broking of securities and futures and margin financing. The Board has also considered the future prospects of Excalibur Securities to the Company as a whole as set out in the section headed "Reasons for the ESL Acquisition and EFL Acquisition". Based on the average of the 2009 ESL Profit Guarantee and the 2010 ESL Profit Guarantee and the Acquisition of 49% of Excalibur Securities, the consideration represents a price earnings multiple of approximately 3.6 times. The price earnings ratios of the comparable companies ranged from approximately 1.08 times to 11.41 times with an average of approximately 4.22 times as at the date of the ESL Agreement.

The consideration of HK$19.2 million has been/shall be satisfied by the Purchaser in the following manner:

(a) a refundable deposit in the sum of HK$10 million has been paid by the Purchaser to the ESL Vendor after the execution of the ESL Agreement; and

(b) the consideration of HK$19.2 million shall be satisfied by the Purchaser by procuring the Company to issue the ESL Convertible Bonds upon ESL Completion, at which point the deposit shall be refunded and returned in its entirety to the Purchaser.

The cash deposit has been financed by the internal resources of the Group and is a mechanism agreed at arms length between the Purchaser and the ESL Vendor to secure the performance of the Purchaser under the ESL Agreement before the ESL Completion. The ESL Vendor has undertaken to refund and return the cash deposit in the amount of HK$10 million in its entirety to the Purchaser upon the ESL Completion and the Directors consider such arrangement to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions

ESL Completion is subject to satisfaction (or where appropriate, waiver) of the conditions set out below:

(a) all necessary consents, confirmations, permits, approvals, licences and authorisations having been obtained from all relevant governmental, regulatory and other authorities, agencies and departments in Hong Kong (including but not limited to the SFC and the Stock Exchange) in connection with the transactions contemplated under the ESL Agreement, the implementation of and all other matters incidental to the ESL Agreement;

(b) the passing by the Shareholders in general meeting of the necessary resolutions approving the ESL Agreement and other transactions contemplated in or incidental to the ESL Agreement (if any) in accordance with the Listing Rules;

(c) all other necessary waivers, consents and approvals (if required) in relation to the Purchaser, its holding company(ies) and its (their) shareholders and directors from the relevant governmental or regulatory authorities in Hong Kong (including the Stock Exchange) and other applicable jurisdictions required for the ESL Agreement and the transactions contemplated herein being obtained;

(d) all warranties remaining true and accurate as at ESL Completion and the ESL Vendor shall have performed or complied, in all material respects, with its covenants and agreements contained herein and required to be performed or complied with by the ESL Vendor at or prior to the ESL Completion Date; and

(e) the completion of the unaudited balance sheet of Excalibur Securities as at ESL Completion Date (the "**ESL Completion Accounts**"), which shall be completed in full to the reasonable satisfaction of the Purchaser in its absolute discretion and written notice to that effect having been given by the Purchaser to the ESL Vendor. In the event that the Purchaser raises any queries or requisitions of in relation to the ESL Completion Accounts, the ESL Vendor shall promptly provide to the Purchaser in writing full and complete answers and explanations to such queries and requisitions and, where applicable, all relevant supporting documentation in respect thereof. (The Directors considered that the ESL Completion Accounts will assist to ascertain the attributable interests in the assets and liabilities of Excalibur Securities upon the ESL Completion, in particular, the payables and receivables of Excalibur Securities.)

The Purchaser shall have the discretion to waive all or any part of the conditions set out above except conditions (a), (b) and (c) and any waiver so granted may be subject to such conditions as the Purchaser may deem fit. Save as so waived, the parties shall use their respective best endeavours to ensure that the conditions set out above shall be fulfilled as soon as possible after execution of the ESL Agreement. Save as otherwise stated, if the above conditions (other than condition (e)) shall not have been fulfilled or waived by 5:00 p.m. on the ESL Long Stop Date (or such later date as the parties may agree in writing), the ESL Agreement shall automatically terminate and none of the parties to the ESL Agreement shall have any claim of any nature or liabilities thereunder whatsoever against any of the other parties under the ESL Agreement (save for any antecedent breaches of the terms thereof).

ESL Completion

ESL Completion is expected to take place within 3 Business Days after the above conditions (other than condition (e)) being fulfilled or waived, or such later date as the parties may agree in writing. After the ESL Completion, Excalibur Securities will become a wholly owned subsidiary of the Company. The financial statements of Excalibur Securities will remain consolidated in the accounts of the Group after the ESL Completion.

ESL Profit Guarantees

Pursuant to the ESL Agreement, the ESL Vendor has covenanted, warranted, undertaken and guaranteed to the Purchaser that the 2009 ESL Net Profit and 2010 ESL Net Profit shall not be less than the 2009 ESL Profit Guarantee of HK$10 million and the 2010 ESL Profit Guarantee of HK$12 million respectively.

The ESL Vendor has covenanted, warranted, undertaken and guaranteed to the Purchaser that in the event that the 2009 ESL Net Profit is not met ("**2009 ESL Shortfall**") or the 2010 ESL Net Profit is not met ("**2010 ESL Shortfall**"), the ESL Vendor's right to exercise the option to convert the ESL Convertible Bonds into ESL Conversion Shares shall be adjusted as follows:

The ESL Vendor has acknowledged and expressly agreed the ESL Convertible Bonds shall be exercised and converted into ESL Conversion Shares in the following manner:

(a) Upon ESL Completion, the ESL Vendor shall be entitled to partially convert the ESL Convertible Bonds into ESL Conversion Shares in the value of HK$8.42 million;

(b) In the event that the 2009 ESL Profit Guarantee is successfully met, the ESL Vendor shall be entitled to further partially exercise and convert the outstanding ESL Convertible Bonds into ESL Conversion Shares in the value of HK$4.9 million only (the "**2009 ESL Conversion Right**");

(c) In the event that the 2010 ESL Profit Guarantee is also successfully met, the ESL Vendor shall be entitled to exercise and convert the outstanding ESL Convertible Bonds into ESL Conversion Shares in the value of HK$5.88 million only (the "**2010 ESL Conversion Right**");

(d) In the event of a 2009 ESL Shortfall, the ESL Vendor's right and entitlement to exercise the 2009 ESL Conversion Right (to convert the ESL Convertible Bonds into ESL Conversion Shares) shall be reduced by an amount equivalent to 49% of the actual 2009 ESL Shortfall, up to a maximum of 100% of the 2009 ESL Conversion Right (the "**2009 ESL Conversion Right Reduction**"). In the event of a 2009 ESL Conversion Right Reduction, any remaining portion of the 2009 ESL Conversion Right shall be irrevocably forfeited and extinguished;

(e) In the event of a 2010 ESL Shortfall, the ESL Vendor's right and entitlement to exercise the 2010 ESL Conversion Right (to convert the ESL Convertible Bonds into ESL Conversion Shares) shall be reduced by an amount equivalent to 49% of the actual 2010 ESL Shortfall, up to a maximum of 100% of the 2010 ESL Conversion Right (the "**2010 ESL Conversion Right Reduction**"). In the event of a 2010 ESL Conversion Right Reduction, any remaining portion of the 2010 ESL Conversion Right shall be irrevocably forfeited and extinguished.

Each and every of the above obligation shall be treated as a separate obligation and shall be severally enforceable as such and, in the event of any obligation or obligations being or becoming unenforceable in whole or in part, such part or parts as are unenforceable shall be deleted and any such deletion shall not affect the enforceability of all such parts as remain not so deleted.

In the event of a 2009 ESL Shortfall and/or 2010 ESL Shortfall, the Company will publish an announcement to disclose the detail as soon as practicable and will include such details in its next annual report. The independent non-executive Directors will provide an opinion in the Company's next annual report as to whether the ESL Vendor has fulfilled his obligations under the ESL Profit Guarantees.

ESL Convertible Bonds

The following is a summary of the key terms of the ESL Convertible Bonds:

Issuer:	the Company
Bondholder:	the ESL Vendor
Amount:	HK$19,200,000
Issue price:	100% of the principal amount of the ESL Convertible Bonds
Interest rate:	0%
ESL Conversion Conditions:	The ESL Bondholder acknowledges and expressly agrees the ESL Convertible Bonds shall be exercised and converted into ESL Conversion Shares in the following manners:
	(a) Upon ESL Completion, the ESL Bondholder shall be entitled to partially convert the ESL Convertible Bonds into ESL Conversion Shares in the value of HK$8.42 million;
	(b) In the event that the 2009 ESL Profit Guarantee is successfully met, the ESL Bondholder shall be entitled to further partially convert the outstanding ESL Convertible Bonds into ESL Conversion Shares in the value of HK$4.9 million only;

(c) In the event that the 2010 ESL Profit Guarantee is also successfully met, the ESL Bondholder shall be entitled to convert the outstanding ESL Convertible Bonds into ESL Conversion Shares in the value of HK$5.88 million only;

(d) In the event of a 2009 ESL Shortfall, the ESL Bondholder's right and entitlement to exercise the 2009 ESL Conversion Right (to convert the ESL Convertible Bonds into ESL Conversion Shares) shall be reduced by an amount equivalent to the 2009 ESL Conversion Right Reduction. In the event of a 2009 ESL Conversion Right Reduction, any remaining portion of the ESL Convertible Bonds subject to the 2009 ESL Conversion Right shall be irrevocably forfeited and extinguished; and

(e) In the event of a 2010 ESL Shortfall, the ESL Bondholder's right and entitlement to exercise the 2010 ESL Conversion Right (to convert the ESL Convertible Bonds into ESL Conversion Shares) shall be reduced by an amount equivalent to the 2010 ESL Conversion Right Reduction. In the event of a 2010 ESL Conversion Right Reduction, any remaining portion of the ESL Convertible Bonds subject to the 2010 ESL Conversion Right shall be irrevocably forfeited and extinguished.

No fraction of a Share shall be issued on conversion of the ESL Convertible Bonds. Fractional entitlements shall be ignored and any sum paid in respect thereof shall be retained by the Company for its own benefit.

Redemption: Unless previously converted, the ESL Convertible Bonds shall be redeemed by the Company at its principal amount outstanding on the maturity date of the ESL Convertible Bonds

Maturity date: The date falling the third anniversary of the date of issue of the ESL Convertible Bonds

Conversion Price: HK$0.16 per ESL Conversion Share, subject to adjustments in each of the following cases (details provisions are set out in the terms and conditions of the ESL Convertible Bonds):

(a) an alteration of the nominal amount of the Shares by reason of any consolidation or subdivision;

(b) an issue (other than in lieu of a cash dividend) by the Company of Shares credited as fully paid by way of capitalization of profits or reserves (including any share premium account or capital redemption reserve fund);

(c) a capital distribution being made by the Company, whether on a reduction of capital or otherwise, to the Shareholders in their capacity as such or rights being granted to Shareholders to acquire for cash assets of the Group;

(d) an offer or grant being made by the Company to the Shareholders by way of rights or of options or warrants to subscribe for or purchase Shares at a price which is less than 90% of the market price;

(e) an issue wholly for cash being made by the Company of securities convertible into or exchangeable for or carrying rights of subscription for new Shares, if in any case the total effective consideration per Share initially receivable for such securities is less than the greater of either 90% of the market price or the Conversion Price in effect, or the terms of any such rights of conversion or exchange or subscription attached to any such securities being modified so that the said total effective consideration per Share initially receivable for such securities is less than the greater of either 90% of the market price or the Conversion Price in effect;

(f) an issue being made by the Company wholly for cash of Shares (other than Shares issued pursuant to an employee share option scheme of the Company) at a price per Share less than the greater of either 90% of the market price or the Conversion Price in effect; and

(g) an issue being made by the Company of Shares for the acquisition of asset at a total effective consideration per Share less than the greater of either 90% of the market price or the Conversion Price in effect.

The Conversion Price shall not be adjusted to below the nominal value of a Share from time to time.

The Conversion Price of the ESL Convertible Bonds:

(i) represents a discount of 36.00% to the closing price of HK$0.25 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) represents a discount of approximately 38.46% to the average of the closing prices of HK$0.26 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the Last Trading Day;

(iii) represents a premium of approximately 0.63% over the Adjusted NAV per Share of approximately HK$0.159;

(iv) is equivalent to the Conversion Price of the EFL Convertible Bonds; and

(v) represents a discount of 48.39% to the closing price of HK$0.31 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

Transferability:	Save with the fulfillment of the ESL Conversion Conditions and the prior written consent of the Company and prior written notice in relation to such transfer or assignment has been given to the Company, no assignment or transfer of the ESL Convertible Bonds may be made. The ESL Convertible Bonds may only be transferred, if and only if, the transfer is made in accordance with any applicable requirements of the Stock Exchange, the Listing Rules, applicable laws and regulations and the provisions of the ESL Convertible Bonds. In the event of a transfer to a connected person of the Company, prior approval from the Company and the Stock Exchange should be obtained. Any assignment or transfer of the ESL Convertible Bonds shall be in respect of the whole or any part (in multiples of HK$1,000,000) of the outstanding principal amount of the ESL Convertible Bonds.
Voting:	The ESL Bondholder shall not be entitled to receive notices of, attend or vote at any meetings of the Company by reason only of it being the ESL Bondholder.
Ranking:	The obligations of the Company arising under the ESL Convertible Bonds constitutes general unconditional, unsecured and unsubordinated obligations of the Company and rank and shall rank equally among themselves and pari passu with all other present and future unsecured and un-subordinated obligations of the Company except for obligations accorded preference by mandatory provisions of applicable laws. The ESL Conversion Shares to be issued as a result of the exercise of the conversion rights attached to the ESL Convertible Bonds will rank pari passu in all respects with all other Shares in issue at the date on which the conversion rights attached to the ESL Convertible Bonds are exercised.

Limitation on conversion: The ESL Bondholder shall not convert any ESL Convertible Bonds and the Company shall not issue any ESL Conversion Shares if, upon such issue,

(1) the ESL Bondholder and parties acting in concert (as defined under the Takeovers Code) with it will be interested in 30% (or such amount as may from time to time specified in the Takeovers Code as being the level for triggering a mandatory general offer) or more of the then enlarged issued share capital of the Company or will be under an obligation to make a general offer under the Takeovers Code;

(2) each of (i) any of the Shareholders holding more than 20% or more of the voting rights of the Company; and (ii) the ESL Bondholder and its parties acting in concert (as defined under the Takeovers Code) will hold 20% or more of the voting rights of the Company respectively; or

(3) the public float of the Company falls below 25% of the issued share capital of the Company.

On that basis, conversion of ESL Convertible Bonds will not result in change of control of the Company.

Events of default: The ESL Convertible Bonds contain customary events of default provisions. Upon the happening of an event of default, the ESL Bondholder may give notice to the Company that the ESL Convertible Bonds, on the giving of such notice, are immediately due and payable at its principal amount then outstanding.

Application for listing

No application will be made by the Company to the Listing Committee for the listing of the ESL Convertible Bonds. Application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the ESL Conversion Shares.

(II) Acquisition of 49% interest in Excalibur Futures

Reference in this section is made to the announcements of the Company dated 18 August 2008, 24 September 2008 and 19 February 2009, and the circular of the Company dated 8 October 2008 in relation to, among others, the acquisition of 51% of the issued share capital of Excalibur Futures.

The EFL Agreement

Date: 6 March 2009

Parties: (1) The EFL Vendor

(2) The Purchaser

The EFL Vendor is an investment holding company and is interested in 49% of the issued share capital of Excalibur Securities and Excalibur Futures (of which the Purchaser is interested as to 51% respectively).

Assets to be acquired

The EFL Sale Shares, representing 49% of the issued share capital of Excalibur Futures.

Consideration

The consideration of HK$9.8 million for the sale and purchase of the EFL Sale Shares was determined after arm's length negotiation between the EFL Vendor and the Purchaser and the basis of determining and arriving at the consideration was by making reference to the consideration of the acquisition of 51% interest in Excalibur Futures by the Group, which was completed in February 2009, the 2009 EFL Profit Guarantee as well as the 2010 EFL Profit Guarantee and by way of comparison with market comparables of price earnings ratios of companies listed on the Stock Exchange with principal business engaged in broking of securities and futures and margin financing. The Board has also considered the future prospects of Excalibur Futures to the Company as a whole as set out in the section headed "Reasons for the ESL Acquisition, EFL Acquisition and AMS Acquisition". Based on the average of the 2009 EFL Profit Guarantee and the 2010 EFL Profit Guarantee and the Acquisition of 49% of Excalibur Futures, the consideration represents a price earnings multiple of approximately 4.21 times. The price earnings ratios of the comparable companies ranged from approximately 1.08 times to 11.41 times with an average of approximately 4.22 times as at the date of the EFL Agreement.

The consideration of HK$9.8 million has been/shall be satisfied by the Purchaser in the following manner:

(a) a refundable deposit in the sum of HK$5 million has been paid by the Purchaser to the EFL Vendor upon the execution of the EFL Agreement; and

(b) the consideration of HK$9.8 million shall be satisfied by the Purchaser by procuring the Company to issue the EFL Convertible Bonds upon EFL Completion, at which point the deposit shall be refunded and returned in its entirety to the Purchaser.

The cash deposit has been financed by the internal resources of the Group and is a mechanism agreed at arms length between the Purchaser and the EFL Vendor to secure the performance of the Purchaser under the EFL Agreement before the EFL Completion. The EFL Vendor has undertaken to refund and return the cash deposit in the amount of HK$5 million in its entirety to the Purchaser upon the EFL Completion and the Directors consider such arrangement to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions

EFL Completion is subject to satisfaction (or where appropriate, waiver) of the conditions set out below:

(a) all necessary consents, confirmations, permits, approvals, licences and authorisations having been obtained from all relevant governmental, regulatory and other authorities, agencies and departments in Hong Kong (including but not limited to the SFC and the Stock Exchange) in connection with the transactions contemplated under the EFL Agreement, the implementation of and all other matters incidental to the EFL Agreement;

(b) the passing by the Shareholders in general meeting of the necessary resolutions approving the EFL Agreement and other transactions contemplated in or incidental to the EFL Agreement (if any) in accordance with the Listing Rules;

(c) all other necessary waivers, consents and approvals (if required) in relation to the Purchaser, its holding company(ies) and its (their) shareholders and directors from the relevant governmental or regulatory authorities in Hong Kong (including the Stock Exchange) and other applicable jurisdictions required for the EFL Agreement and the transactions contemplated herein being obtained;

(d) all warranties remaining true and accurate as at EFL Completion and the EFL Vendor shall have performed or complied, in all material respects, with its covenants and agreements contained herein and required to be performed or complied with by the EFL Vendor at or prior to the EFL Completion Date; and

(e) the completion of the unaudited balance sheet of Excalibur Futures ("**EFL Completion Accounts**") as at EFL Completion, which shall be completed in full to the reasonable satisfaction of the Purchaser in its absolute discretion and written notice to that effect having been given by the Purchaser to the EFL Vendor. In the event that the Purchaser raises any queries or requisitions of in relation to the EFL Completion Accounts, the EFL Vendor shall promptly provide to the Purchaser in writing full and complete answers and explanations to such queries and requisitions and, where applicable, all relevant supporting documentation in respect thereof. (The Directors considered that the EFL Completion Accounts will assist to ascertain the attributable interests in the assets and liabilities of Excalibur Futures upon the EFL Completion, in particular, the payables and receivables of Excalibur Futures.)

The Purchaser shall have the discretion to waive all or any part of the above conditions except conditions (a), (b) and (c) and any waiver so granted may be subject to such conditions as the Purchaser may deem fit. If the above conditions (other than condition (e)) have not been fulfilled or waived by 5:00 p.m. on the EFL Long Stop Date (or such later date as the parties may agree in writing), the EFL Agreement shall automatically terminate and none of the parties to the EFL Agreement shall have any claim of any nature or liabilities thereunder whatsoever against any of the other parties under the EFL Agreement (save for any antecedent breaches of the terms thereof).

EFL Completion

EFL Completion is expected to take place within 3 Business Days after the above conditions (other than condition (e)) being fulfilled or waived, or such later date as the parties may agree in writing. After the EFL Completion, Excalibur Futures will become a wholly owned subsidiary of the Company. The financial statements of Excalibur Futures will remain consolidated in the accounts of the Group after the EFL Completion.

EFL Profit Guarantees

Pursuant to the EFL Agreement, the EFL Vendor has covenanted, warranted, undertaken and guaranteed to the Purchaser that the 2009 EFL Net Profit and the 2010 EFL Net Profit shall not be less than the 2009 EFL Profit Guarantee of HK$4.5 million and the 2010 EFL Profit Guarantee of HK$5 million respectively.

The EFL Vendor has covenanted, warranted, undertaken and guaranteed to the Purchaser that in the event that the 2009 EFL Net Profit is not met ("**2009 EFL Shortfall**") or the 2010 EFL Net Profit is not met ("**2010 EFL Shortfall**"), the EFL Vendor's right to exercise the option to convert the EFL Convertible Bonds into EFL Conversion Shares shall be adjusted as follows:

The EFL Vendor has acknowledged and expressly agreed the EFL Convertible Bonds shall be exercised and converted into EFL Conversion Shares in the following manner:

(a) Upon EFL Completion, the EFL Vendor shall be entitled to partially convert the EFL Convertible Bonds into EFL Conversion Shares in the value of HK$5.14 million;

(b) In the event that the 2009 EFL Profit Guarantee is successfully met, the EFL Vendor shall be entitled to further partially exercise and convert the outstanding EFL Convertible Bonds into EFL Conversion Shares in the value of HK$2.21 million only (the "**2009 EFL Conversion Right**");

(c) In the event that the 2010 EFL Profit Guarantee is also successfully met, the EFL Vendor shall be entitled to exercise and convert the outstanding EFL Convertible Bonds into EFL Conversion Shares in the value of HK$2.45 million only (the "**2010 EFL Conversion Right**");

(d) In the event of a 2009 EFL Shortfall, the EFL Vendor's right and entitlement to exercise the 2009 EFL Conversion Right (to convert the EFL Convertible Bonds into EFL Conversion Shares) shall be reduced by an amount equivalent to 49% of the actual 2009 EFL Shortfall, up to a maximum of 100% of the 2009 EFL Conversion Right (the "**2009 EFL Conversion Right Reduction**"). In the event of a 2009 EFL Conversion Right Reduction, any remaining portion of the 2009 EFL Conversion Right shall be irrevocably forfeited and extinguished; and

(e) In the event of a 2010 EFL Shortfall, the EFL Vendor's right and entitlement to exercise the 2010 EFL Conversion Right (to convert the EFL Convertible Bonds into EFL Conversion Shares) shall be reduced by an amount equivalent to 49% of the actual 2010 EFL Shortfall, up to a maximum of 100% of the 2010 EFL Conversion Right (the "**2010 EFL Conversion Right Reduction**"). In the event of a 2010 EFL Conversion Right Reduction, any remaining portion of the 2010 EFL Conversion Right shall be irrevocably forfeited and extinguished.

Each and every of the above obligation shall be treated as a separate obligation and shall be severally enforceable as such and, in the event of any obligation or obligations being or becoming unenforceable in whole or in part, such part or parts as are unenforceable shall be deleted and any such deletion shall not affect the enforceability of all such parts as remain not so deleted.

In the event of a 2009 EFL Shortfall and/or 2010 EFL Shortfall, the Company will publish an announcement to disclose the detail as soon as practicable and will include such details in its next annual report. The independent non-executive Directors will provide an opinion in the Company's next annual report as to whether the EFL Vendor has fulfilled his obligations under the EFL Profit Guarantees.

EFL Convertible Bonds

The following is a summary of the key terms of the EFL Convertible Bonds:

Issuer:	the Company
Bondholder:	the EFL Vendor
Amount:	HK$9,800,000
Issue price:	100% of the principal amount of the EFL Convertible Bonds
Interest rate:	0%
EFL Conversion Conditions:	The EFL Bondholder acknowledges and expressly agrees the EFL Convertible Bonds shall be exercised and converted into EFL Conversion Shares in the following manners: (a) Upon EFL Completion, the EFL Bondholder shall be entitled to partially convert the EFL Convertible Bonds into Conversion Shares in the value of HK$5.14 million;

(b) In the event that the 2009 EFL Profit Guarantee is successfully met, the EFL Bondholder shall be entitled to further partially convert the outstanding EFL Convertible Bonds into EFL Conversion Shares in the value of HK$2.21 million only;

(c) In the event that the 2010 EFL Profit Guarantee is also successfully met, the EFL Bondholder shall be entitled to convert the outstanding EFL Convertible Bonds into EFL Conversion Shares in the value of HK$2.45 million only;

(d) In the event of a 2009 EFL Shortfall, the EFL Bondholder's right and entitlement to exercise the 2009 EFL Conversion Right (to convert the EFL Convertible Bonds into EFL Conversion Shares) shall be reduced by an amount equivalent to the 2009 EFL Conversion Right Reduction. In the event of a 2009 EFL Conversion Right Reduction, any remaining portion of the EFL Convertible Bonds subject to the 2009 EFL Conversion Right shall be irrevocably forfeited and extinguished;

(e) In the event of a 2010 EFL Shortfall, the EFL Bondholder's right and entitlement to exercise the 2010 EFL Conversion Right (to convert the EFL Convertible Bonds into EFL Conversion Shares) shall be reduced by an amount equivalent the 2010 EFL Conversion Right Reduction. In the event of a 2010 EFL Conversion Right Reduction, any remaining portion of the EFL Convertible Bonds subject to the 2010 EFL Conversion Right shall be irrevocably forfeited and extinguished.

No fraction of a Share shall be issued on conversion of the EFL Convertible Bonds. Fractional entitlements shall be ignored and any sum paid in respect thereof shall be retained by the Company for its own benefit.

Redemption:	Unless previously converted, the EFL Convertible Bonds shall be redeemed by the Company at its principal amount outstanding on the maturity date of the EFL Convertible Bonds
Maturity date:	The date falling the third anniversary of the date of issue of the EFL Convertible Bonds
Conversion Price:	HK$0.16 per EFL Conversion Share, subject to adjustments in each of the following cases (details provisions are set out in the terms and conditions of the EFL Convertible Bonds): (a) an alteration of the nominal amount of the Shares by reason of any consolidation or subdivision; (b) an issue (other than in lieu of a cash dividend) by the Company of Shares credited as fully paid by way of capitalization of profits or reserves (including any share premium account or capital redemption reserve fund); (c) a capital distribution being made by the Company, whether on a reduction of capital or otherwise, to the Shareholders in their capacity as such or rights being granted to Shareholders to acquire for cash assets of the Group; (d) an offer or grant being made by the Company to the Shareholders by way of rights or of options or warrants to subscribe for or purchase Shares at a price which is less than 90% of the market price;

(e) an issue wholly for cash being made by the Company of securities convertible into or exchangeable for or carrying rights of subscription for new Shares, if in any case the total effective consideration per Share initially receivable for such securities is less than the greater of either 90% of the market price or the Conversion Price in effect, or the terms of any such rights of conversion or exchange or subscription attached to any such securities being modified so that the said total effective consideration per Share initially receivable for such securities is less than the greater of either 90% of the market price or the Conversion Price in effect;

(f) an issue being made by the Company wholly for cash of Shares (other than Shares issued pursuant to an employee share option scheme of the Company) at a price per Share less than the greater of either 90% of the market price or the Conversion Price in effect; and

(g) an issue being made by the Company of Shares for the acquisition of asset at a total effective consideration per Share less than the greater of either 90% of the market price or the Conversion Price in effect.

The Conversion Price shall not be adjusted to below the nominal value of a Share from time to time.

The Conversion Price of the EFL Convertible Bonds of HK$0.16 per EFL Conversion Share is equivalent to the Conversion Price of the ESL Convertible Bonds (please refer to the section headed "ESL Convertible Bonds" above for the other details of the Conversion Price).

Transferability: Save with the fulfillment of the EFL Conversion Conditions and the prior written consent of the Company and prior written notice in relation to such transfer or assignment has been given to the Company, no assignment or transfer of the EFL Convertible Bonds may be made. The EFL Convertible Bonds may only be transferred, if and only if, the transfer is made in accordance with any applicable requirements of the Stock Exchange, the Listing Rules, applicable laws and regulations and the provisions of the EFL Convertible Bonds.

In the event of a transfer to a connected person of the Company, prior approval from the Company and the Stock Exchange should be obtained.

Any assignment or transfer of the EFL Convertible Bonds shall be in respect of the whole or any part (in multiples of HK$1,000,000) of the outstanding principal amount of the EFL Convertible Bonds.

Voting: The EFL Bondholder shall not be entitled to receive notices of, attend or vote at any meetings of the Company by reason only of it being the EFL Bondholder.

Ranking: The obligations of the Company arising under the EFL Convertible Bonds constitutes general unconditional, unsecured and unsubordinated obligations of the Company and rank and shall rank equally among themselves and pari passu with all other present and future unsecured and un-subordinated obligations of the Company except for obligations accorded preference by mandatory provisions of applicable laws.

The EFL Conversion Shares to be issued as a result of the exercise of the conversion rights attached to the EFL Convertible Bonds will rank pari passu in all respects with all other Shares in issue at the date on which the conversion rights attached to the EFL Convertible Bonds are exercised.

Limitation on conversion: The EFL Bondholder shall not convert any EFL Convertible Bonds and the Company shall not issue any EFL Conversion Shares if, upon such issue,

(1) the EFL Bondholder and parties acting in concert (as defined under the Takeovers Code) with it will be interested in 30% (or such amount as may from time to time specified in the Takeovers Code as being the level for triggering a mandatory general offer) or more of the then enlarged issued share capital of the Company or will be under an obligation to make a general offer under the Takeovers Code;

(2) each of (i) any of the Shareholders holding more than 20% or more of the voting rights of the Company; and (ii) the EFL Bondholder and its parties acting in concert (as defined under the Takeovers Code) will hold 20% or more of the voting rights of the Company respectively; or

(3) the public float of the Company falls below 25% of the issued share capital of the Company.

On that basis, conversion of EFL Convertible Bonds will not result in change of control of the Company.

Events of default: The EFL Convertible Bonds contain customary events of default provisions. Upon the happening of an event of default, the EFL Bondholder may give notice to the Company that the EFL Convertible Bonds, on the giving of such notice, are immediately due and payable at its principal amount then outstanding.

Application for listing

No application will be made by the Company to the Listing Committee for the listing of the EFL Convertible Bonds. Application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the EFL Conversion Shares.

(III) Information of Excalibur Securities and Excalibur Futures

Excalibur Securities

Excalibur Securities is principally engaged in securities brokerage and margin financing. Excalibur Securities is an Exchange Participant and a licensed corporation under the SFO permitted to engage in type 1 regulated activity (dealing in securities).

As at 31 December 2008, Excalibur Securities had an audited net asset value of approximately HK$34.33 million. The following table shows certain financial information of Excalibur Securities for the two years ended 31 December 2008:

	Year ended 31 December 2007 (audited) *HK$'000*	**Year ended 31 December 2008 (audited)** *HK$'000*
Net profit before taxation and extraordinary items	6,834	5,286
Net profit after taxation and extraordinary items	5,675	4,282

Upon ESL Completion, Excalibur Securities will become a wholly owned subsidiary of the Company. The financial statements of Excalibur Securities will remain consolidated in the accounts of the Group after ESL Completion.

Excalibur Futures

Excalibur Futures provides brokerage services for futures and options traded on the Futures Exchange, including Hang Seng Index Futures and Hang Seng Index Options. Excalibur Futures is a licensed corporation under the SFO permitted to engage in type 2 regulated activity (dealing in futures contracts).

As at 31 December 2008, Excalibur Futures had an audited net asset value of approximately HK$27.48 million. The following table shows certain financial information of Excalibur Futures for the two years ended 31 December 2008:

	Year ended 31 December 2007 (audited) *HK$'000*	**Year ended 31 December 2008 (audited)** *HK$'000*
Net profit before taxation and extraordinary items	1,840	3,828
Net profit after taxation and extraordinary items	1,840	3,316

Upon EFL Completion, Excalibur Futures will become a wholly owned subsidiary of the Company. The financial statements of Excalibur Futures will remain consolidated in the accounts of the Group after EFL Completion.

REASONS FOR THE ESL ACQUISITION AND EFL ACQUISITION

The Group is principally engaged in the provision of brokerage services for securities, futures and options and margin financing; electrical engineering contracting; and sale of electrical goods.

As mentioned in the announcement of the Company dated 19 February 2009, one of the then options of acquisition of the Group included the acquisition of a certain percentage of the balance of 49% shareholdings in Excalibur Securities and/or Excalibur Futures when and where appropriate. Since the completion of the acquisitions of 51% interest in Excalibur Securities and Excalibur Futures in February 2009, the business of Excalibur Securities and Excalibur Futures and the Group have been carrying out smoothly and generating cost and operating efficiencies and other synergic effects to the Group, Excalibur Securities and Excalibur Futures as a whole.

The Directors believe that the ESL Acquisition and EFL Acquisition of the balance of 49% of Excalibur Securities and Excalibur Futures will allow the Group to fully integrate the operations of Excalibur Securities and Excalibur Futures within the Group and also provide the Group with an income source with promising business potential while further enjoying the cost benefits, operating efficiency and other synergy effect. In addition, the ESL Acquisition and the EFL Acquisition could better position the Group for further expansion of its brokerage business for securities, futures and options and margin financing and to grasp business opportunities in the future. The ESL Acquisition and the EFL Acquisition enable the Group to have full control and capture 100% of the profit in Excalibur Securities and Excalibur Futures.

The Directors considered that the ESL Acquisition and the EFL Acquisition are in the interests of the Shareholders and the Company as a whole.

BUSINESS PROSPECTS

The Group is cautious about its business outlook. Financial markets have been adversely affected in recent months on fears of a global slowdown and inflationary pressure. Volatility in financial markets across the world is expected to persist, while the global investment sentiment is likely to remain negative. Nonetheless, with the availability of sufficient financial resources to the Group and additional financial services platforms as availed by both Excalibur Securities and Excalibur Futures upon resumption of trading of the Shares from the previous prolonged suspension on 20 February 2009, the Directors are confident that the Group is in an advantageous position to recruit quality and skilled account executives to expand and diversify client base. In addition, given the recent fluctuation in the global investment market, the Directors believe that the futures brokerage business conducted through Excalibur Futures could provide an additional service platform to its clients for investment and hedging purposes. The Group stresses the importance of integrity, quality service, teamwork and expertise.

EFFECTS ON SHAREHOLDING STRUCTURE

To the best knowledge of the Directors, the existing shareholding structure of the Company and the shareholding structure of the Company upon the allotment and issue of the ESL Conversion Shares and the EFL Conversion Shares under different scenarios are as follows:

Shareholders	As at the Latest Practicable Date		Upon full conversion of the ESL Convertible Bonds and the EFL Convertible Bonds by ESL Vendor or EFL Vendor (as the case may be) only *(Note 1)*		Upon full conversion of all outstanding convertible bonds, full exercise of all outstanding warrants and options *(Note 2)*	
	Shares	*%*	*Shares*	*%*	*Shares*	*%*
Good Treasure Holdings Limited *(Note 3)*	108,000,000	14.29	108,000,000	11.52	N/A	N/A
Lao Chio Kuan *(Note 4)*	200,000,000	26.45	200,000,000	21.34	200,000,000	13.69
ESL Vendor or EFL Vendor (as the case may be)	–	–	181,250,000	19.34	181,250,000	12.41
Public Shareholders:						
– Existing public Shareholders	448,070,000	59.26	448,070,000	47.80	448,070,000	30.68
– Holders of other convertible bonds *(Notes 5 & 6)*	–	–	–	–	500,000,000	34.23
– Holders of outstanding options *(Note 6)*	–	–	–	–	11,400,000	0.78
– Holders of outstanding warrants *(Note 6)*	–	–	–	–	12,000,000	0.82
– Good Treasure Holdings Limited *(Note 3)*	N/A	N/A	N/A	N/A	108,000,000	7.39
Total	756,070,000	100.00	937,320,000	100.00	1,460,720,000	100.00

As announced in the Announcement, a conditional sale and purchase agreement ("**AMS Agreement**") dated 6 March 2009 has been entered into between Ample Wealth Group Limited ("**AMS Vendor**") and the Purchaser for the acquisition for 100% issued share capital of Wealthy Aim Group Limited ("**Wealthy Aim**") at a consideration of HK$58.5 million (subject to adjustment), which shall be satisfied by the Purchaser at an initial non-refundable deposit of HK$100,000 in cash and the remaining balance of HK$58.4 million (subject to adjustment) by the issue of convertible bonds ("**AMS Convertible Bonds**"). Wealthy Aim is an investment holding company and owns 70% of the issued share capital of AMS Capital Limited subject to reorganization. AMS Capital Limited is principally engaged in investment and corporate finance advisory, trading of securities and money lending. Further details of the acquisition of Wealthy Aim Group Limited are set out in the Announcement and subsequent circular shall be dispatched to Shareholders as soon as practicable. The existing shareholding structure of the Company and the shareholding structure of the Company upon the allotment and issue of the shares upon exercise of conversion rights attached to AMS Convertible Bonds and upon full conversion of all outstanding convertible bonds including ESL Convertible Bonds, the EFL Convertible Bonds and the AMS Convertible Bonds under different scenarios are as follows:

Shareholders	**As at the Latest Practicable Date**		**Upon full conversion of the AMS Convertible Bonds by the AMS Vendor only** *(Note 7)*		**Upon full conversion of all outstanding convertible bonds, full exercise of outstanding warrants and options** *(Note 8)*	
	Shares	*%*	*Shares*	*%*	*Shares*	*%*
Good Treasure Holdings Limited *(Note 3)*	108,000,000	14.29	N/A	N/A	N/A	N/A
Lao Chio Kuan *(Note 4)*	200,000,000	26.45	200,000,000	17.84	200,000,000	10.95
ESL Vendor or EFL Vendor (as the case may be)	–	–	–	–	181,250,000	9.93
AMS Vendor	–	–	365,000,000	32.56	365,000,000	19.99
Public Shareholders:						
– Existing public Shareholders	448,070,000	59.26	448,070,000	39.97	448,070,000	24.54
– Holders of other convertible bonds *(Note 5 & 6)*	–	–	–	–	500,000,000	27.39
– Holders of outstanding options *(Note 6)*	–	–	–	–	11,400,000	0.62
– Holders of outstanding warrants *(Note 6)*	–	–	–	–	12,000,000	0.66
– Good Treasure Holdings Limited *(Note 6)*	N/A	N/A	108,000,000	9.63	108,000,000	5.92
Total	756,070,000	100.00	1,121,070,000	100.00	1,825,720,000	100.00

Notes:

1. This column is for illustration only and shows the case of maximum shareholding of the ESL Vendor or the EFL Vendor (as the case may be) upon full conversions of the ESL Convertible Bonds and the EFL Convertible Bonds without any conversion restriction stipulated under the ESL Agreement and the EFL Agreement.

2. This column is for illustration only and shows the case of maximum shareholdings of the ESL Vendor or the EFL Vendor (as the case may be) upon full conversions of the ESL Convertible Bonds and the EFL Convertible Bonds without any conversion restriction stipulated under the ESL Agreement and the EFL Agreement and full conversion of all existing outstanding convertible bonds, full exercise of outstanding warrants and options.

3. Good Treasure Holdings Limited is a company incorporated in the British Virgin Islands and whose entire equity is beneficially wholly-owned by Mr. Li Chun Sing, Andrew, who does not hold any role/position in the Company save for being a Shareholder.

4. The ESL Vendor or the EFL Vendor (as the case may be) is owned as to approximately 50.92% by Mr. Lao Chio Kuan, who does not hold any role/position in the Company save for being a Shareholder.

5. The other convertible bonds is in the principal amount of HK$50 million with zero coupon rate and conversion price of HK$0.10 and due in February 2012 and were placed to Independent Third Parties in February 2009, details of which are set out in the circular of the Company dated 30 June 2008.

6. Save for the Subscriber, all other holders of other convertible bonds, outstanding options and outstanding warrants are Independent Third Parties.

7. This column is for illustration only and shows the case of maximum shareholding of the AMS Vendor upon full conversion of the AMS Convertible Bonds without any conversion restriction stipulated under the AMS Agreement.

8. This column is for illustration only and shows the case of maximum shareholdings of the ESL Vendor or the EFL Vendor (as the case may be) and the AMS Vendor upon full conversions of the ESL Convertible Bonds, the EFL Convertible Bonds and the AMS Convertible Bonds without any conversion restriction stipulated under the ESL Agreement, the EFL Agreement and the AMS Agreement and full conversion of all existing outstanding convertible bonds, full exercise of outstanding warrants and options.

FINANCIAL EFFECTS OF THE ESL ACQUISITION AND EFL ACQUISITION

Assets

The audited consolidated total assets of the Group as at 31 March 2008, as extracted from the annual report of the Company for the year ended 31 March 2008, was approximately HK$79,820,000. As set out in Appendix IV to this circular, assuming ESL Completion and EFL Completion had taken place on 31 March 2008, the unaudited pro forma total assets of the Enlarged Group would have been increased to approximately HK$240,421,000.

Earnings

Following the ESL Completion and EFL Completion, each of Excalibur Securities and Excalibur Futures will become a wholly-owned subsidiary of the Company and the Group will be able to consolidate revenue from Excalibur Securities and Excalibur Futures.

The audited net loss for the year ended 31 March 2008 as extracted from the annual report of the Group was approximately HK$5,827,000. According to the unaudited pro forma income statement of the Enlarged Group for the year ended 31 March 2008 as if the ESL Completion and EFL Completion had taken place on 31 March 2008, the unaudited pro forma net loss of the Enlarged Group would have been increased to approximately HK$15,399,000.

Gearing ratio

As at 31 March 2008, the Group's gearing ratio calculated as a percentage of total debts over total assets was approximately 40.29%. The gearing ratio of the Enlarged Group upon ESL Completion and EFL Completion would decrease to approximately 29.84%.

Given net asset will increase and the gearing ratio would decrease and in view of the promising business potential while further enjoying the cost benefits, operating efficiency and other synergy effect and with the ESL Acquisition and EFL Acquisition, the Directors are of the view that the ESL Acquisition and EFL Acquisition will bring positive contribution to the results of the Group.

ISSUANCE OF TOP GOOD CONVERTIBLE BONDS UNDER THE SPECIFIC MANDATE

On 6 May 2009 after trading hours, the Company and the Subscriber entered into the Subscription Agreement in respect of the issuance of the Top Good Convertible Bonds in the principal amount of HK$32 million due three years from the date of issue at an exercise price of HK$0.16 per Top Good Conversion Share. Details of the Subscription Agreement and the terms of the Top Good Convertible Bonds are described below.

SUBSCRIPTION AGREEMENT

Parties and Date

Date:	6 May 2009 (after trading hours)
Issuer:	the Company
Subscriber:	the Subscriber

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the Subscriber and its ultimate beneficial owner is not a connected person under the Listing Rules. The Subscriber is a company incorporated in Hong Kong and is principally engaged in investment holdings. It is a wholly-owned subsidiary of PME Group Limited, the shares of which are listed on the main board of the Stock Exchange.

The Subscriber is beneficially interested in 53,738,000 Shares (representing approximately 7.11% of the issued share capital of the Company) and owns as to 115,000,000 zero coupon convertible bonds in principal amount of HK$11,500,000 due in 2012.

Principal terms of the Top Good Convertible Bonds

Principal amount:	HK$32,000,000
Issue price:	100% of the principal amount of the Top Good Convertible Bonds
Interest rate:	0%
Maturity:	The date falling on the third anniversary of the date of issue of the Top Good Convertible Bonds
Status and Transfer:	(a) The obligations of the Company arising under the Top Good Convertible Bonds constitute general, unconditional, unsecured and unsubordinated obligations of the Company, and rank and shall rank equally among themselves and *pari passu* with all other present and future unsecured and unsubordinated obligations of the Company except for obligations accorded preference by mandatory provisions of applicable laws. No application shall be made for a listing of the Top Good Convertible Bonds in any jurisdiction.

(b) Save with the prior written consent of the Company and prior written notice in relation to such transfer or assignment has been given to the Company, no assignment or transfer of the Top Good Convertible Bonds may be made. The Top Good Convertible Bonds may only be transferred, if and only if, the transfer is made in accordance with any applicable requirements of the Stock Exchange, the Listing Rules, applicable laws and regulations and the provisions as set out in the Subscription Agreement. In the event of a transfer to a connected person (as defined in the Listing Rules) of the Company, prior approval from the Company and the Stock Exchange should be obtained.

(c) Any assignment or transfer of the Top Good Convertible Bonds shall be in respect of the whole or any part (in multiples of HK$500,000) of the outstanding principal amount of the Top Good Convertible Bonds. Title to the Top Good Convertible Bonds passes only upon the cancellation of the existing certificate and the issue of a new certificate in accordance with conditions set out in the Subscription Agreement. The Top Good CB Holder will (except as otherwise required by law) be treated as the absolute owner of the Top Good Convertible Bonds for all purposes (whether or not overdue and regardless of any notice of ownership, trust or any interest in it or any writing on, or the theft or loss of, the certificates issued in respect of them) and no person will be liable for so treating the Top Good CB Holder.

(d) The Top Good Convertible Bonds may be transferred by delivery to the Company of a duly executed transfer form together with the certificate(s) for the Top Good Convertible Bonds being transferred. The Company shall, within five (5) Business Days of receipt of such documents from the Top Good CB Holder, cancel the existing Top Good Convertible Bonds, issue a new Top Good Convertible Bonds and certificate in respect thereof under the seal of the Company in favour of the transferee or assignee as applicable and (if applicable) endorse the certificate of the transferor with the amount of the Top Good Convertible Bonds so transferred.

(e) Any legal and other costs and expenses which may be incurred by the Company in connection with any transfer or assignment of the Top Good Convertible Bonds or any request thereof shall be borne by the transferee alone.

(f) The Company shall maintain and give a full and complete register of the Top Good CB Holder, the conversion, cancellation and destruction of the Top Good Convertible Bonds, replacement Top Good Conversion Bonds issued in substitution for any defaced, lost, stolen or destroyed Top Good Convertible Bonds and of details and addresses of the Top Good CB Holder from time to time. The Company shall make available such register to the Top Good CB Holder for inspection at all reasonable times and will permit the Top Good CB Holder to copy the same.

Payments:

(a) All payments by the Company hereunder shall be made in immediately available funds free and clear of any withholdings or deductions for any present or future taxes, imposts, levies, duties or other charges payable by the Company. In the event that the Company is required by law to make any such deduction or withholding from any amount paid, the Company shall pay to Top Good CB Holder such additional amount as shall be necessary so that the Top Good CB Holder continues to receive a net amount equal to the full amount which it would have received if such withholding or deduction had not been made.

(b) All payments by the Company hereunder shall be made, not later than 11:00 a.m. (Hong Kong time) on the due date, by remittance to such bank account in Hong Kong as the Top Good CB Holder may notify the Company from time to time.

(c) If the due date for payment of any amount in respect of the Top Good Convertible Bonds is not a Business Day, the Top Good CB Holder shall be entitled to payment on the next following Business Day in the same manner.

(d) The Company shall not be obliged to make any payment on the redemption of the outstanding principal amount of the Top Good Convertible Bonds until it has received the certificate for the Top Good Convertible Bonds.

Redemption:

Unless previously converted, upon presentation the original certificate of the Top Good Convertible Bonds on its maturity date to the Company at its address specified in the Subscription Agreement, the Top Good Convertible Bonds shall be redeemed by the Company at its principal amount outstanding.

Conversion:

(a) the Top Good Convertible Bonds can be converted from time-to-time after its issuance and prior to the expiry of its maturity date in strict accordance with the terms of the Top Good Convertible Bonds.

(b) No fraction of a Share shall be issued on conversion of the Top Good Convertible Bonds. Fractional entitlements shall be ignored and any sum paid in respect thereof shall be retained by the Company for its own benefit. Shares issued upon conversion shall rank *pari passu* in all respects with all other existing Shares outstanding as at the exercise date and be entitled to all dividends and other distributions, the record date of which falls on a date on or after the date of the conversion notice.

(c) The Top Good CB Holder shall exercise the right of conversion to the extent that the public float of the Company will not be less than 25% of the issued share capital of the Company immediately after such conversion.

(d) the Top Good CB Holder shall not convert the Top Good Convertible Bond and the Company shall not issue any Shares if, upon such issue, the Top Good CB Holder and the parties acting in concert with it, shall be interested in 30% (or such amount as may from time to time that may trigger a mandatory general offer or considered by the SFC as a change in control of the Company) or more of the then enlarged issued share capital of the Company at the date of the relevant conversion. No Top Good Conversion Shares will be allotted and issued in respect of any breach of the provisions under this condition.

Events of default: If any of the following events ("Events of Default") occurs, the Top Good CB Holder may give notice to the Company that the Top Good Convertible Bonds, on the giving of such notice, are immediately due and payable at its principal amount then outstanding:–

(a) the listing of the Shares (as a class) on the Stock Exchange:–

(i) ceases; or

(ii) is suspended for a continuous period of twenty one (21) Business Days, on each of which the Stock Exchange is generally open for trading, due to the default of the Company or any of its directors;

(b) the Company defaults in performance or compliance with any of its obligations contained in the conditions, which breach or default is incapable of remedy or, if capable of remedy, is not remedied within fourteen (14) Business Days after notice of such breach or default is sent from the Top Good CB Holder to the Company;

(c) an encumbrancer takes possession or a receiver, manager or other similar officer is appointed of the whole or any material part of the undertaking, property, assets or revenues of the Company or any of its subsidiaries;

(d) the Company becomes insolvent or is unable to pay its debts as they mature or applies for or consents to the appointment of any administrator, liquidator or receiver of the whole or any material part of its undertaking, property, assets or revenues or enters into a general assignment or compromise with or for the benefit of its creditors;

(e) an order is made or an effective resolution passed for winding-up of the Company or any of its material subsidiaries;

(f) the Company defaults in the payment of the principal in respect of the Top Good Convertible Bond when and as the same ought to be paid and such default is not remedied by the Company within seven (7) Business Days of the due date thereof;

(g) any other debentures, bonds, notes, Top Good Convertible Bond or other instruments of indebtedness or any other loan indebtedness ("Indebtedness") of the Company or any securities convertible into or exchangeable for shares ("Equity Linked Securities") of the Company become prematurely repayable following a default in respect of the terms thereof which shall not have been remedied, or the Company or any of its subsidiaries defaults in the repayment of the Indebtedness or Equity Linked Securities at the maturity thereof or at the expiration of any applicable grace period thereof, or any guarantee of or indemnity in respect of any Indebtedness or Equity Linked Securities of others given by the Company or any of its material subsidiaries shall not be honored when due and called upon;

provided that notwithstanding the foregoing, if the Company shall fail to issue the Top Good Conversion Shares in accordance with the conditions, any Top Good CB Holder shall be entitled to bring an action against the Company for either specific performance or damages. The Company shall forthwith on becoming aware of any such event as is mentioned in this condition give notice in writing thereof to the Top Good CB Holder. At any time after the principal amount of the Top Good Convertible Bonds has become payable, any of the Top Good CB Holder may without further notice institute such proceedings as it may think fit to enforce payment of the monies due.

Voting: The Top Good CB Holder shall not be entitled to receive notices of, attend or vote at any meetings of the Company by reason only of it being the Top Good CB Holder.

Based on the conversion price of HK$0.16 per Top Good Conversion Share, a maximum number of 200 million Shares will be allotted and issued upon exercise of the conversion rights attaching to the Top Good Convertible Bonds in full, which represent: (i) approximately 26.45% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 20.92% of the issued share capital of the Company to be enlarged by the allotment and issue of the Top Good Conversion Shares.

The Top Good Convertible Shares shall rank *pari passu* in all respects with the Shares in issue as at the date of allotment and issue of the Top Good Conversion Shares. There will not be any restrictions for the subsequent sale of the Top Good Conversion Shares by the Subscriber.

The Conversion Price of the Top Good Convertible Bonds (i) represent a discount of approximately 44.83% of the Last Trading Day; (ii) represent a discount of approximately 43.86% of the last five consecutive trading days; and (iii) represent a premium of approximately 0.63% over the Adjusted NAV per Share of approximately HK$0.159.

Application for listing

No application will be made for the listing of, or permission to deal in, the Top Good Convertible Bonds on the Stock Exchange or any other stock exchange. Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Top Good Conversion Shares.

Conditions precedent

Completion is conditional upon the fulfillment of the following conditions precedent:

(a) the Company, the Subscriber and PME Group Limited (if required) approving, by their respective shareholders in an extraordinary general meeting held for the purpose, to enter into the Subscription Agreement;

(b) the Subscriber completes and is satisfied in its absolute discretion with the result of the due diligence to be conducted on the Company;

(c) each of the warranties remaining true and accurate in all material respects up to Completion;

(d) the performance and observance by the Company of all the undertakings and covenants on the part of the Company contained in the Subscription Agreement; and

(e) the Listing Committee of the Stock Exchange shall have granted the listing of and permission to deal in the Top Good Conversion Shares.

The Subscriber shall have the discretion to waive all or any part of the conditions set out above except conditions (a) and (e) and any waiver so granted may be subject to such conditions as the Subscriber may deem fit.

If the conditions set out above shall not have been fulfilled or waived by 5:00 p.m. (Hong Kong time) on the day falling 90 days of the date of execution of the Subscription Agreement (or such later date as the parties may agree in writing), the Subscription Agreement shall automatically terminate and none of the parties to the Subscription Agreement shall have any claim of any nature or liabilities hereunder whatsoever against any of the other parties under the Subscription Agreement (save for any antecedent breaches of the terms hereof).

Completion

Completion shall take place in Hong Kong on the day immediately after which the conditions precedent set out in the Subscription Agreement are fulfilled and/or waived.

Subscription

The subscription price of HK$32,000,000 (the "Subscription Price") for the Top Good Convertible Bonds shall be satisfied by the Subscriber in the following manner:

a) an initial refundable payment in the sum of HK$16,000,000 in cash which shall be paid by the Subscriber to the Company upon the execution of the Subscription Agreement (the "Initial Payment"); and

b) the remaining balance of the Subscription Price shall be satisfied forthwith in cash by the Subscriber upon completion of the Subscription.

REASON FOR THE ISSUE OF TOP GOOD CONVERTIBLE BONDS AND USE OF PROCEEDS

The Directors consider that the raising of funds by the issuance of the Top Good Convertible Bonds is justifiable considering the recent market conditions which represent an opportunity for the Company to enhance its working capital and strengthen its capital base and financial position for possible future investments of the Group. The Directors consider that the issue of the Top Good Convertible Bonds is an appropriate means of raising additional capital of the Company since it will not have an immediate dilution effect on the shareholding of the existing Shareholders.

The conversion price of the Top Good Convertible Bonds was agreed upon based on the recent closing prices of the Shares as quoted on the Stock Exchange. The Directors (including the independent non-executive Directors) consider that the terms of the Subscription Agreement, which were arrived at after arm's length negotiations between the Company and the Subscriber, are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. The net proceeds from the issue of the Top Good Convertible Bonds of approximately HK$32 million will be used for financing possible future investments of the Group and/or the general working capital of the Group. As at the Latest Practicable Date, except for the proposed acquisition of not less than 40% of the issued share capital of a company established in the PRC engaged in the broking service for dealing in futures contracts in the PRC (the "Proposed Acquisition"), the Board has not identified any future investments which will require the Group to apply any of the net proceeds from this issue, and therefore all the net proceeds will be currently used for the Proposed Acquisition and as general working capital of the Group.

EFFECTS ON SHAREHOLDING STRUCTURE

To the best knowledge of the Directors, the existing shareholding structure of the Company and the shareholding structure of the Company upon the allotment and issue of the Top Good Convertible Bonds under different scenarios are as follows:

Shareholders	**As at the Latest Practicable Date**		**Upon full conversion of all Top Good Convertible Bonds only** *(Note 1)*		**Upon full conversion of all Top Good Convertible Bonds, all other outstanding convertible bonds, full exercise of outstanding warrants and options** *(Note 2)*	
	Shares	*%*	*Shares*	*%*	*Shares*	*%*
Good Treasure Holdings Limited *(Note 3)*	108,000,000	14.29	108,000,000	11.30	N/A	N/A
The Subscriber *(Note 4)*	53,738,000	7.11	253,738,000	26.54	368,738,000	18.20
Lao Chio Kuan *(Note 5)*	200,000,000	26.45	200,000,000	20.92	200,000,000	9.87
ESL Vendor or EFL Vendor (as the case may be)	–	–	–	–	181,250,000	8.95
AMS Vendor	–	–	–	–	365,000,000	18.02
Public Shareholders:						
– Existing public Shareholders	394,332,000	52.15	394,332,000	41.24	394,332,000	19.47
– Holders of other convertible bonds *(Note 6 & 7)*	–	–	–	–	385,000,000	19.01
– Holders of outstanding options *(Note 7)*	–	–	–	–	11,400,000	0.56
– Holders of outstanding warrants *(Note 7)*	–	–	–	–	12,000,000	0.59
– Good Treasure Holdings Limited *(Note 3)*	N/A	N/A	N/A	N/A	108,000,000	5.33
Total	756,070,000	100.00	956,070,000	100.00	2,025,720,000	100.00

Notes:

1. This column is for illustration only and shows the case of maximum shareholding of the Subscriber upon full conversions of the Top Good Convertible Bonds without any conversion restriction stipulated under the Subscription Agreement.

2. This column is for illustration only and shows the case of maximum shareholdings of the Subscriber, the ESL Vendor or the EFL Vendor (as the case may be) and the AMS Vendor upon full conversions of the Top Good Convertible Bonds, the ESL Convertible Bonds, the EFL Convertible Bonds and the AMS Convertible Bonds without any conversion restriction stipulated under the Subscription Agreement, the ESL Agreement, the EFL Agreement and the AMS Agreement and full conversion of all existing outstanding convertible bonds, full exercise of outstanding warrants and options.

3. Good Treasure Holdings Limited is a company incorporated in the British Virgin Islands and whose entire equity is beneficially wholly-owned by Mr. Li Chun Sing, Andrew, who does not hold any role/position in the Company save for being a Shareholder.

4. As at the Latest Practicable Date, the Subscriber is beneficiary interested in 53,738,000 Shares and owns as to 115,000,000 other convertible bonds in the principal amount of HK$11,500,000 with zero coupon rate and conversion price of HK$0.10 due in February 2012.

5. The ESL Vendor or the EFL Vendor (as the case may be) is owned as to approximately 50.92% by Mr. Lao Chio Kuan, who does not hold any role/position in the Company save for being a Shareholder.

6. The other convertible bonds is in the principal amount of HK$50 million with zero coupon rate and conversion price of HK$0.10 and due in February 2012 and were placed to Independent Third Parties in February 2009, details of which are set out in the circular of the Company dated 30 June 2008.

7. Save for the Subscriber, all holders of other convertible bonds, outstanding options and outstanding warrants are Independent Third Parties

REFRESHMENT OF GENERAL MANDATE

At the AGM, Shareholders passed, among other matters, an ordinary resolution to grant to the Directors the Existing General Mandate to issue and allot not more than 92,814,000 new Shares, being 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of the relevant resolution.

As at the Latest Practicable Date, the Existing General Mandate has been utilized as to 80,000,000 placing Shares to independent placees, representing approximately 86.19% of the Existing General Mandate, by Get Nice Securities Limited, of which details are set out in the announcement of the Company dated 24 September 2008. Since the AGM, the issued share capital of the Company has been enlarged by, (i) the issue of 12,000,000 new Shares and 200,000,000 new Shares as converted from consideration convertible notes, of which details are set out in the announcement of the Company dated 30 May 2008; and (ii) the 80,000,000 placing Shares. The

Directors believe that the refreshment of the Existing General Mandate will enhance the flexibility for the Group to raise funds by equity financing for further business development and to strengthen the capital base and financial position of the Company. Accordingly, the Directors consider that the approval of the refreshment of the Existing General Mandate is in the best interests of the Company and the Shareholders as a whole. The Board proposes the refreshment of the Existing General Mandate to the Directors not exceeding 20% of the issued share capital of the Company at the EGM.

The Company will propose to put the following ordinary resolutions to be considered at the EGM so as to seek approval of the General Mandate Independent Shareholders that:

(i) the Directors be granted the Refreshed General Mandate to allot and issue Shares and other securities representing not exceeding 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of the EGM; and

(ii) the Refreshed General Mandate be extended to the Shares and other securities that are allowed to be repurchased by the Company since the grant of the Refreshed General Mandate.

As at the Latest Practicable Date, the Company has in issue an aggregate of 756,070,000 Shares. Subject to the passing of the proposed ordinary resolution for the grant of the Refreshed General Mandate and on the basis that no Shares will be issued and/or repurchased by the Company from the Latest Practicable Date up to the date of the EGM, the Refreshed General Mandate will allow the Directors to be given unconditional general mandate to allot and issue up to a maximum of 151,214,000 new Shares, representing 20% of the issued share capital of the Company at the EGM.

Pursuant to Rule 13.36(4) of the Listing Rules, the refreshment of the Existing General Mandate requires approval from the General Mandate Independent Shareholders, where any controlling Shareholders and their respective associates, or where there are no controlling Shareholders, Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the proposed ordinary resolution for the approval of the refreshment of the Existing General Mandate. As at the Latest Practicable Date, the Company had no controlling shareholders and none of the Directors, the chief executive of the Company and their respective associates owned any interests in the issued share capital of the Company, and therefore none of the Shareholders shall abstain from voting in favour of the relevant resolution(s) to be proposed at the EGM to approve the grant of the Refreshed General Mandate and the extension thereof. The voting at the EGM will be taken by way of a poll.

REFRESHMENT OF SCHEME MANDATE LIMIT

The Share Option Scheme was adopted by the Company pursuant to the written resolution of the Company dated 12 February 2003. The Scheme Mandate Limit was set at 10% of the Shares in issue at the date of adoption of the Share Option Scheme in compliance with the Listing Rules. Subject to prior Shareholders' approval, the Company may, at any time thereafter, refresh the Scheme Mandate Limit to the extent not exceeding 10% of the Shares in issue as at the date of the aforesaid Shareholders' approval.

At the AGM, the Scheme Mandate Limit was refreshed and the Existing Scheme Mandate Limit was granted enabling the Directors to grant Share Options to employees, including executive Directors and subsidiaries of the Company, to subscribe for a maximum of 34,707,000 Shares.

Subject to prior Shareholders' approval, the Company may, at any time thereafter, refresh the Existing Scheme Mandate Limit to the extent not exceeding 10% of the Shares in issue as at the aforesaid Shareholders' approval.

As at the Latest Practicable Date, there were outstanding Share Options carrying the rights to subscribe for 11,400,000 Shares, representing approximately 2.46% of the issued share capital of the Company as at the date of refreshment of the Existing Scheme Mandate Limit on 18 July 2008, and approximately 1.51% of the issued share capital of the Company as at the Latest Practicable Date. No Directors had any interests in the Share Options as at the Latest Practicable Date.

It is proposed that subject to the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in the Shares to be issued pursuant to the exercise of Share Options granted under the Refreshed Scheme Mandate Limit and the passing of the relevant resolution at the EGM, the total number of Shares under the Refreshed Scheme Mandate Limit, which may be issued upon exercise of all Share Options to be granted under the Refreshed Scheme Mandate Limit, shall not exceed 10% of the Shares in issue as at the date of approval of the relevant resolution by the Shareholders at the EGM. Share Options previously granted under the Existing Scheme Mandate Limit (including without limitation those outstanding, cancelled, lapsed or exercised in accordance with the Existing Scheme Mandate Limit) will be counted for the purpose of calculating the Refreshed Scheme Mandate Limit.

As at the Latest Practicable Date, the Company had 756,070,000 Shares in issue. Pursuant to the terms of the Refreshed Scheme Mandate Limit and in compliance with the Listing Rules, the maximum number of Shares, which may be issued upon the exercise of all the Share Options to be granted under the Refreshed Scheme Mandate Limit should be 64,207,000 Shares (assuming no further issue or repurchase of Shares prior to the EGM). Pursuant to the Listing Rules, the Shares which may be issued upon exercise of all outstanding Share Options granted and yet to be exercised under the Share Option Scheme and any other option scheme(s) of the Company (or its subsidiaries) at any time shall not exceed 30% of the Shares in issue from time to time. No Share Options shall be granted under the Share Option Scheme or any other scheme(s) of the Company (or its subsidiaries) if this will result in the 30% limit being exceeded.

Conditions of the Refreshed Scheme Mandate Limit

The proposed Refreshed Scheme Mandate Limit is conditional upon:

1. the passing of the ordinary resolution by the Shareholders at the EGM to approve the proposed Refreshed Scheme Mandate Limit; and

2. the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in the Shares to be allotted and issued pursuant to the exercise of Share Options granted under the Refreshed Scheme Mandate Limit.

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of Share Options granted under the Refreshed Scheme Mandate Limit.

Reasons for the Refreshed Scheme Mandate Limit

The purpose of the Refreshed Scheme Mandate Limit is to recognize the contribution of employees and consultants of the Group. Given the issued share capital of the Company as at the Latest Practicable Date has been enlarged following several acquisitions took place in the past year, the Directors consider that the proposed Refreshed Scheme Mandate Limit will provide more flexibility for the Company to grant Share Options to eligible participants to reward and motivate them to strive for the future developments enhancing the values of the Company and Shares for the benefit of the Company and Shareholders as a whole.

LISTING RULES IMPLICATION

In accordance to Rule 14.22 and 14.23 of the Listing Rules, the aggregation of the acquisitions of 51% and then the remaining 49% of Excalibur Securities; and (ii) the acquisition of 51% and then the remaining 49% of Excalibur Futures constitute very substantial acquisitions for the Company and are subject to disclosure requirements under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, (i) the ESL Vendor or the EFL Vendor (as the case may be) is interested in as to 49% of both of the issued share capital of Excalibur Securities and Excalibur Futures which are both 51% subsidiaries of the Company; and (ii) a substantial Shareholder, Mr. Lao Chio Kuan, is interested in as to approximately 50.92% of the ESL Vendor or the EFL Vendor (as the case may be), and thus the ESL Vendor or the EFL Vendor (as the case may be) is an associate of the Company. The ESL Acquisition and the EFL Acquisition accordingly constitute connected transactions of the Company. The ESL Vendor or the EFL Vendor (as the case may be) and its associates are required to abstain from voting to approve the resolutions in relation to the ESL Agreement and EFL Agreement at the EGM.

Completion of each of the ESL Agreement and the EFL Agreement is not dependent upon the completions of each of the other agreements.

An Independent Board Committee is established to advise the Independent Shareholders regarding the ESL Acquisition, the EFL Acquisition and the refreshment of Existing General Mandate. SinoPac is appointed as the independent financial adviser to (i) advise the Independent Board Committee and the ESL and EFL Independent Shareholders on whether the ESL Acquisition and the EFL Acquisition are entered into under normal and commercial terms, in the ordinary course of business of the Group and is fair and reasonable to the Company and the ESL and EFL Independent Shareholders taken as a whole; and (ii) advise the General Mandate Independent Shareholders on whether the refreshment of the Existing General Mandate is fair and reasonable and is in the interests of the Company and the General Mandate Independent Shareholders as a whole.

As at the Latest Practicable Date, the Subscriber is interested in 53,738,000 Shares, representing approximately 7.11% of the issued share capital of the Company. Accordingly, the Subscriber and its associates are required to abstain from voting to approve the resolution in relation to the Top Good Convertible Bonds at the EGM.

The Company will seek the approval of, (i) the ESL and EFL Independent Shareholders to approve the ESL Acquisition, the EFL Acquisition and the transactions contemplated thereunder; (ii) the approval of the General Mandate Independent Shareholders on the refreshment of Existing General Mandate; and (iii) the Top Good CB Independent Shareholders to approve the issuance of Top Good Convertible Bonds and transactions contemplated thereunder at the EGM to be convened and held by the Company.

EGM

The notice of EGM is set out from pages 285 to 291 of this circular.

A form of proxy for the EGM is enclosed with this circular. Whether you intend to attend the EGM or not, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Union Registrars Limited at Rooms 1901-02, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong not less than 48 hours before the time fixed for the EGM. Completion and delivery of the form of proxy will not preclude you from attending and voting at the EGM in person if you so wish.

RECOMMENDATIONS

The Directors consider that the ESL Acquisition, EFL Acquisition, the Refreshed General Mandate, the Refreshed Scheme Mandate Limit and the issuance of Top Good Convertible Bonds are beneficial to and in the best interests of the Company and the Shareholders as a whole. The terms of the ESL Agreement and EFL Agreement and the transactions contemplated thereunder; the proposed refreshment of Existing General Mandate; the proposed refreshment of the Existing Scheme Mandate Limit; and the proposed issuance of Top Good Convertible Bonds entered into under normal and commercial terms, in the ordinary course of business are fair and reasonable to the Company and in the interests of the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolutions to approve the abovementioned at the EGM.

ADDITIONAL INFORMATION

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

Yours faithfully,
For and on behalf of
The board of directors of
China Fortune Group Limited
Ng Cheuk Fan, Keith
Managing Director

The following is the text of a letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the ESL Acquisition, EFL Acquisition and the proposed refreshment of Existing General Mandate:

中國富強集團有限公司
China Fortune Group Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 290)

Website: http://www.290.com.hk

8 May 2009

VERY SUBSTANTIAL ACQUISITIONS AND CONNECTED TRANSACTIONS – ACQUISITIONS OF THE REMAINING 49% INTEREST IN EACH OF EXCALIBUR SECURITIES LIMITED AND EXCALIBUR FUTURES LIMITED

To the Independent Shareholders

Dear Sir or Madam,

We refer to the circular of the Company dated 8 May 2009 ("**Circular**"), of which this letter forms part. Unless specified otherwise, capitalized terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed as the Independent Board Committee to advise you as to whether, in our opinion, (i) the ESL Acquisition and EFL Acquisition and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole; and (ii) whether the refreshment of the Existing General Mandate is fair and reasonable and is in the interests of the Company and Shareholders as a whole.

SinoPac has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. Details of their independent advice, together with the principal factors and reasons they have taken into consideration, are set out from pages 57 to 80 of this Circular.

Having considered the terms of the ESL Agreement and the EFL Agreement and the transactions contemplated thereunder, the terms of the proposed Refreshed General Mandate and the independent advice of SinoPac in relation thereto, we are of the opinion the business of each of Excalibur Securities and Excalibur Futures are in line with the ordinary business of the Group that the terms of the ESL Agreement and the EFL Agreement and the transactions contemplated thereunder and the terms of the proposed Refreshed General Mandate are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the ESL Acquisition and EFL Acquisition and the transactions contemplated thereunder and the grant of the Refreshed General Mandate.

Yours faithfully,
Independent Board Committee of
China Fortune Group Limited

Ng Kay Kwok	**Lam Ka Wai, Graham**	**Tam B Ray Billy**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*

The following is the letter of advice from SinoPac to the Independent Board Committee and the Independent Shareholders for the purpose of incorporation into this circular.

永豐金證券(亞洲)有限公司
SinoPac Securities (Asia) Limited

23rd Floor, Two International Finance Centre
No.8 Finance Street, Hong Kong

8 May 2009

To the Independent Board Committee and the Independent Shareholders

Dear Sir or Madam,

(I) VERY SUBSTANTIAL ACQUISITIONS AND CONNECTED TRANSACTIONS – ACQUISITIONS OF THE REMAINING 49% INTEREST IN EACH OF EXCALIBUR SECURITIES LIMITED AND EXCALIBUR FUTURES LIMITED AND (II) REFRESHMENT OF GENERAL MANDATE TO ISSUE SHARES

INTRODUCTION

We refer to our engagement by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the terms of the ESL Acquisition, EFL Acquisition and the Refreshed General Mandate and to advise the Independent Shareholders how to vote at the EGM. Details of which are set out in the letter from the Board (the "**Letter from the Board**") as contained in the circular of the Company dated 8 May 2009 (the "**Circular**") of which this letter forms part. Capitalised terms used in this letter shall have the same meaning as defined in the Circular unless the context otherwise defines.

References are made to (i) the announcements of the Company dated 30 May 2008, 18 August 2008, 24 September 2008, 3 November 2008, 2 February 2009 and 19 February 2009, and the circular of the Company dated 30 June 2008 in relation to, among others, the acquisition of 51% of the issued share capital of Excalibur Securities; and (ii) the announcements of the Company dated 18 August 2008, 24 September 2008 and 19 February 2009, and the circular of the Company dated 8 October 2008 in relation to, among others, the acquisition of 51% of the issued share capital of Excalibur Futures. On 6 March 2009, the Purchaser entered into the ESL Agreement and EFL Agreement with ESL Vendor or EFL Vendor (as the case may be) respectively. Pursuant to the ESL Agreement and EFL Agreement, the ESL Vendor or EFL Vendor (as the case may be) agreed to sell and the Purchaser agreed to purchase the ESL Sale Shares and EFL Sale Shares respectively. The ESL Sale Shares and EFL Sale Shares represent remaining 49% of the issued share capital of each of Excalibur Securities and Excalibur Futures respectively.

In accordance with Rule 14.22 and Rule 14.23 of the Listing Rules, the aggregation of the acquisitions of 51% and then the remaining 49% of the issued share capital of Excalibur Securities; and the acquisitions of 51% and then the remaining 49% of the issued share capital of Excalibur Futures constitute very substantial acquisitions for the Company and are subject to disclosure requirements under Chapter 14 of the Listing Rules. As at the Latest Practicable Date, (i) ESL Vendor or the EFL Vendor (as the case may be) is interested in 49% of the issued share capital of each of Excalibur Securities and Excalibur Futures which are both 51% owned subsidiaries of the Company; and (ii) a substantial shareholder, Mr. Lao Chio Kuan, is interested in as to approximately 50.92% of the ESL Vendor or EFL Vendor (as the case may be) is an associate of the Company, thus the ESL Vendor or EFL Vendor (as the case may be) is an associate of the Company and the ESL Acquisition and the EFL Acquisition accordingly constitute connected transactions of the Company.

On the other hand, in order to enhance the flexibility for the Group to raise funds by equity financing for further business development and to strengthen the capital base and financial position of the Group, the Board proposes to the refreshment of the Existing General Mandate to the Directors not exceeding 20% of the issued Share capital of the Company at the EGM. Pursuant to Rule 13.36(4) of the Listing Rules, the granting of the Refreshed General Mandate requires approval of the General Mandate Independent Shareholders at the EGM.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all of the independent non-executive Directors, namely Messrs Tam B Ray Billy, Ng Kay Kwok and Lam Ka Wai Graham, has been established to advise the Independent Shareholders on (i) whether the terms of the ESL Acquisition and EFL Acquisition are fair and reasonable and are on normal commercial terms so far as the ESL and EFL Independent Shareholders are concerned; (ii) whether the ESL Acquisition and the EFL Acquisition is in the interests of the Company and the Shareholders as a whole; (iii) whether the terms of the Refreshed General Mandate are fair and reasonable and in the interests of the Company and the Shareholders as a whole and (iv) how the Independent Shareholders should vote at the EGM. We have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

BASIS OF OUR ADVICE

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Company, Directors and management of the Company. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have assumed that all information, representations and opinions contained or referred to in the Circular, which have been provided by the Company, Directors and management of the Company and for which they are solely and wholly responsible, were true and accurate at the time they were made and continue to be true at the date of the EGM.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in the Circular misleading. We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, Excalibur Securities, Excalibur Futures or their respective subsidiaries or associates, nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion, we have taken into consideration the principal factors and reasons set out below. In reaching our conclusion, we have considered the results of the analysis in light of each other and ultimately reached our recommendations to the Independent Board Committee and the Independent Shareholders in relation to the ESL Acquisition, EFL Acquisition and Refreshed General Mandate based on the results of all analysis taken as a whole.

(A) ESL Acquisition and EFL Acquisition

1. Background Information

The Group

The Group is principally engaged in securities brokerage and margin financing; futures and option trading, electrical engineering contracting; and sale of electrical goods.

The Group's securities brokerage and margin financing business is currently carried out under a wholly owned subsidiary, namely Fortune (HK) Securities Limited, and a 51% owned subsidiary, namely Excalibur Securities, both of which are licensed corporation under the SFO permitted to engage in type 1 regulated activity (dealing in securities). While the Group's futures and option trading business is currently carried out under a 51% owned subsidiary, namely Excalibur Futures, which is a licensed corporation under the SFO permitted to engaged in type 2 regulated activity (dealing in futures contracts). 51% of the issued share capital of each of the Excalibur Securities and Excalibur Futures was acquired by the Group under the respective sale and purchase agreement entered into between the Group and Mr. Lao Chio Kuan and EFL Vendor on 27 February 2008 and 19 September 2008 respectively and the completion of both of the sale and purchase agreements have been taken place on 17 February 2009.

Currently, the Group does not intend to put in extra resources for its other existing businesses, namely electrical engineering contracting and sale of electrical goods business. The Directors confirm that the existing senior management with expertise in engaging in the businesses of electrical engineering contracting and sale of electrical goods has been retained at the relevant operating subsidiaries of the Company.

Information on Excalibur Securities

Excalibur Securities is principally engaged in securities brokerage and margin financing. Excalibur Securities is an Exchange Participant and a licensed corporation under the SFO permitted to engage in type 1 regulated activity (dealing in securities).

On 27 February 2008, the Group (excluding Excalibur Securities and Excalibur Futures) and Mr. Lao Chio Kuan entered into the sale and purchase agreement pursuant to which the Group (excluding Excalibur Securities and Excalibur Futures) agreed to purchase and Mr. Lao Chio Kuan agreed to sell 51% equity interests in Excalibur Securities. Upon completion of such sale and purchase agreement on 17 February 2009, Excalibur Securities becomes a subsidiary indirectly owned as to 51% by the Company.

The following table shows certain audited financial information of Excalibur Securities for each of the three financial years ended 31 December 2008:

	For the year ended 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Turnover	14,674	12,798	5,763
Net profit before taxation and extraordinary income	2,643	6,834	5,286
Net profit after taxation and extraordinary income	2,472	5,675	4,282
Net asset value	24,375	30,050	34,332

Upon ESL Completion, Excalibur Securities will become a wholly owned subsidiary of the Company. The financial statements of Excalibur Securities will remain consolidated in the accounts of the Group after ESL Completion.

Information on Excalibur Futures

Excalibur Futures provides brokerage services for futures and options traded on the Futures Exchange, including Hang Seng Index Futures and Hang Seng Index Options. Excalibur Futures is a licensed corporation under the SFO permitted to engage in type 2 regulated activity (dealing in futures contracts).

On 19 September 2008, the Group (excluding Excalibur Securities and Excalibur Futures) and the EFL Vendor entered into the sale and purchase agreement pursuant to which the Group (excluding Excalibur Securities and Excalibur Futures) agreed to purchase and the EFL Vendor agreed to sell 51% equity interests in Excalibur Futures. Upon completion of such sale and purchase agreement on 17 February 2009, Excalibur Futures becomes the subsidiary indirectly owned as to 51% by the Company.

The following table shows certain audited financial information of Excalibur Futures for each of the three financial years ended 31 December 2008:

	For the year ended 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Turnover	8,193	14,010	22,157
Net profit before taxation and extraordinary income	3,009	1,840	3,828
Net profit after taxation and extraordinary income	3,009	1,840	3,316
Net asset value	22,324	24,164	27,480

Upon EFL Completion, Excalibur Futures will become a wholly owned subsidiary of the Company. The financial statements of Excalibur Futures will remain consolidated in the accounts of the Group after ESL Completion.

2. *Reasons for the Acquisition*

In view of the Group's business strategy for focusing and enhancing the securities brokerage and financing business, the income contribution of the securities brokerage and financing business of the Group increased from approximately 33.94% to 64.14% of the total turnover of the Group from the financial year ended 31 March 2006 to 31 March 2008. In order to further strengthen the Group's securities and brokerage and financial business, the Group (excluding Excalibur Securities and Excalibur Futures) entered into a sale and purchase agreement on 27 February 2008 for acquiring 51% equity interests in Excalibur Securities, and also entered into a sale and purchase agreement on 19 September 2008 for acquiring 51% equity interests in Excalibur Futures in order to broaden the business scope of financial related business of the Group and become a full range financial services provider. Both of the aforesaid sale and purchase agreement was completed on 17 February 2009.

For each of the three financial years ended 31 December 2008, (i) Excalibur Securities recorded a net profit of approximately HK$2.47 million, HK$5.68 million and HK$4.28 million respectively; and (ii) Excalibur Futures recorded a net profit of approximately HK$3.00 million, HK$1.84 million and HK$3.32 million respectively. Having considered the business nature and future profit contribution from each of Excalibur Securities and Excalibur Futures to the Group, we concur with the Directors' view that the ESL Acquisition and EFL Acquisition will allow the Group to fully integrate the operations of Excalibur Securities and Excalibur Futures and strengthen the Group's income source while further enjoying the cost benefits, operation efficiency and other synergy effect.

Even though the financial markets have been adversely affected by the fallout of the global financial crisis late last year and the volatility in financial markets across the world is expected to persist, we concur with the Directors' view that the Chinese economy will remain relatively intact and the China stock are still attractive with a longer investment perspective given that the PRC government had recently announced that it would relax credit conditions, cut taxes and embark on a massive infrastructure spending program in a wide-ranging effort to offset adverse global economic conditions by boosting domestic demand with a stimulus package estimated at RMB4 trillion to be spent over the next two years on financial programs, which will be a driver for activity in the local securities market and thus is positive on the future prospectus of the business of the Group.

Having considered the (i) income and profit contribution from Excalibur Securities and Excalibur Futures; (ii) the synergy effect upon the completion of the ESL Acquisition and EFL Acquisition; and (iii) business nature of the Group as well as Excalibur Securities and Excalibur Futures, we concur with the Directors' view that the business of each of Excalibur Securities and Excalibur Futures are in line with the ordinary business of the Group, and the ESL Acquisition and EFL Acquisition is reasonable and in the interests of the Company and the Shareholders as a whole.

3. *Principles terms of the Sale and Purchase Agreement*

Payment of the consideration

ESL Acquisition:

Pursuant to the ESL Agreement, the consideration payable by the Purchaser to the ESL Vendor is HK$19.2 million in total. The consideration will be satisfied by the Purchaser in the following manner:

a. a refundable deposit in the sum of HK$10 million shall be paid by the Purchaser to the ESL Vendor within one month after the execution of the ESL Agreement; and

b. the consideration of HK$19.2 million shall be satisfied by the Purchaser by procuring the Company to issue the ESL Convertible Bonds upon ESL Completion, at which point the deposit shall be refunded and returned in its entirety to the Purchaser.

EFL Acquisition:

Pursuant to the EFL Agreement, the consideration payable by the Purchaser to the EFL Vendor is HK$9.8 million in total. The consideration will be satisfied by the Purchaser in the following manner:

a. a refundable deposit in the sum of HK$5 million shall be paid by the Purchaser to the EFL Vendor within one month after the execution of the EFL Agreement; and

b. the consideration of HK$9.8 million shall be satisfied by the Purchaser by procuring the Company to issue the EFL Convertible Bonds upon EFL Completion, at which point the deposit shall be refunded and returned in its entirety to the Purchaser.

The directors confirmed that the respective refundable deposit of HK$10 million and HK$5 million for the ESL Acquisition and EFL Acquisition respectively was financed by the internal resources of the Group.

As the respective cash deposits of HK$10 million and HK$5 million for the ESL Acquisition and EFL Acquisition will be refunded and returned to the Purchaser upon ESL Completion or the EFL Completion (as the case may be), and the total consideration for both of the ESL Acquisition and EFL Acquisition will be fully settled by way of the issue of convertible bonds by the Company upon ESL Completion or EFL Completion (as the case may be), we are of the view that the payment terms for the ESL Acquisition and EFL Acquisition will only draw a portion of cash resources of the Group for a period of time until the issue of the ESL Convertible Bonds or EFL Convertible Bonds upon ESL Completion or EFL Completion (as the case may be), and has no immediate dilution effect on the existing Shareholders.

Furthermore, we have reviewed the management accounts and the cashflow position of the Group as at 31 December 2008 and considered (i) the effect of other fund raising methods for the consideration of the ESL Acquisition and EFL Acquisition including bank borrowing and share placement, which would respectively (a) incur possible credit crunch and increase in the Group's gearing ratio for financing the ESL Acquisition and EFL Acquisition; and (b) has difficulty to seek investor(s) in view of the recent global financial turmoil; and (ii) no immediate dilution effect on interests of the Shareholders nor negative effect to the Group's profitability for financing the ESL Acquisition and EFL Acquisition by way of the issue of convertible bonds, we concur with the Directors' view that the issue of the ESL Convertible Bonds and EFL Convertible Bonds enable the Group to maintain sufficient cash balance required for normal operations of the Group and is therefore for the interest of the Group.

Having considered that (i) the refundable deposit will be refunded and returned to the Purchaser or the Group upon ESL Completion or EFL Completion (as the case may be) or termination of the ESL Agreement or EFL Agreement (as the case may be); (ii) the total consideration for the ESL Acquisition and EFL Acquisition will be settled by way of the issue of convertible bonds upon ESL Completion or EFL Completion (as the case may be) with no immediate dilution effect on the interests of the Shareholders; and (iii) the effectiveness of other fund raising methods, we are of the view that the payment schedule is on normal commercial terms, fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Basis of the considerations

In order to assess the fairness and reasonableness of the considerations for the sale and purchase of the ESL Sale Shares and EFL Sale Shares, we have identified, to the best of our knowledge, the following comparable companies ("**Comparable Companies**"), which have similar principal business of Excalibur Securities and Excalibur Futures including the provision of financial services and regulated activities under the SFO in Hong Kong, and have conducted comparable companies trading analysis based on the price-to-earnings ratio ("**PER**"). Details of our findings on the Comparable Companies are summarized in the table below:

Company (stock code)	**Closing price as at the Last Trading Day** *(HK$)*	**Earnings per share set out in the latest published audited financial statements available as at the Last Trading Day** *(HK$)*	**PER as at the Last Trading Day** *(times)*
CASH Financial Services Group Limited (510)	0.586	-0.220	NA
China Everbright Limited (165)	8.990	0.639	14.07
Emperor Capital Group Limited (717)	0.208	0.074	2.81
First Shanghai Investments Limited (227)	0.630	0.296	2.13
Hong Kong Chinese Limited (655)	0.640	0.861	0.74
Karl Thomson Holdings Limited (7)	0.385	0.058	6.64

Company (stock code)	Closing price as at the Last Trading Day *(HK$)*	Earnings per share set out in the latest published audited financial statements available as at the Last Trading Day *(HK$)*	PER as at the Last Trading Day *(times)*
Quam Limited (952)	0.295	0.153	1.93
Rexcapital Financial Holdings Limited (555)	0.280	0.022	12.73
Shenyin Wanguo (H.K.) Limited (218)	2.800	0.027	103.70
South China Financial Holdings Limited (619)	0.043	-0.037	NA
Sun Hung Kai & Co. Limited (86)	4.710	0.204	23.09
SW Kingsway Capital Holdings Limited (188)	0.088	-0.033	NA
Taifook Securities Group Limited (665)	1.130	0.167	6.77
Tanrich Financial Holdings Limited (812)	0.220	0.023	9.57
Upbest Group Limited (335)	0.620	0.122	5.08
Value Convergence Holdings Limited (821)	0.450	0.020	22.50
Celestial Asia Securities Ltd. (1049)	0.900	0.350	2.57
Get Nice Holdings Ltd. (64)	0.195	0.174	1.12
Cinda International Holdings Ltd. (111)	1.090	-0.026	NA
Average			**14.36**
Maximum			**103.70**
Minimum			**0.74**

Source: Bloomberg

Note: The Last Trading Day is the date of the Sale and Purchase Agreements.

Based on the above table, the PERs of the Comparable Companies ranged from approximately 0.74 times to 103.70 times with an average of approximately 14.36 times. After exclusion the outliners of the PERs of approximately 0.74 times and 103.70 times for Hong Kong Chinese Limited (655) and Shenyin Wanguo (H.K.) Limited respectively, the average PER for the Comparable Companies is approximately 8.54 times.

In view of the decreasing trading volume of the Hong Kong stock market caused by the fallout of the global financial crisis late last year, we concur with the Directors view that (i) the profitability of the Comparable Companies will be negatively affected in the forthcoming financial year; and (ii) the projected PER of the Comparable Companies based on their expected decrease in the earnings per share in the forthcoming financial year are expected to be increased and higher than that as shown in the table above.

Given that (i) the consideration for the ESL Acquisition was determined with the PER (the "**ESL PER**") of approximately 3.6 times based on the average of 2009 ESL Profit Guarantee and the 2010 ESL Profit Guarantee and the acquisition of 49% of Excalibur Securities; and (ii) the consideration for the EFL Acquisition was determined with the PER (the "**EFL PER**") of approximately 4.21 times based on the average of 2009 EFL Profit Guarantee and the 2010 EFL Profit Guarantee and the acquisition of 49% of Excalibur Futures, we have reviewed the basis and assumptions for reaching the profit guarantee for each of the two financial years ending 31 December 2009 and 31 December 2010 such as the proposed capital expenditure, recruitment of new accounts executives and launching advertisement for Excalibur Securities and Excalibur Futures.

Having considered that (i) ESL Vendor or EFL Vendor (as the case may be) have provided the Company with an assurance of a minimum level of profitability of Excalibur Securities and Excalibur Futures for the financial years ending 31 December 2009 and 31 December 2010, (ii) the profit guarantee for each of the two financial years ending 31 December 2009 and 31 December 2010 provided by ESL Vendor or EFL Vendor (as the case may be) has less difference; and (iii) the projected PER of the Comparable Companies for the forthcoming year as aforementioned are expected to be higher than the PER of the Comparable Companies as shown in the table above, we concur with the Directors' view that it is appropriate to derive the ESL PER and EFL PER as reference for the determination of the consideration of the ESL Acquisition and EFL Acquisition in view of the existing market condition.

After taking into consideration that (i) the profit guarantee provided by ESL Vendor or EFL Vendor (as the case may be); (ii) the discount factor on the discrepancy in market value and liquidity between the Comparable Companies and Excalibur Securities or Excalibur Futures; and (iii) each of the ESL PER and EFL PER falls within the market range and below the average of the PER of the Comparable Companies, we are of the opinion that the basis by adopting the ESL PER and EFL PER for reaching the consideration for each of the ESL Acquisition and EFL Acquisition is fair and reasonable.

In order to further assess the fairness and reasonableness of the considerations for the ESL Acquisition and EFL Acquisition, we have assessed the historical PER of each of Excalibur Securities and Excalibur Futures, achieved with the basis of the net profit (after taxation and extraordinary items) of each of Excalibur Securities and Excalibur Futures for the year ended 31 December 2008 and their respective consideration for the ESL Acquisition and EFL Acquisition. We note that such historical PER of each of the Excalibur Securities and Excalibur Futures is approximately 9.15 times and 6.03 times respectively, which also fall within the market range whether or not the outliners are excluded.

Based on the aforementioned, we are of the opinion that consideration for each of the ESL Acquisition and EFL Acquisition is fair and reasonable.

Profit Guarantee

Pursuant to the respective ESL Agreements and EFL Agreement, the ESL Vendor or EFL Vendor (as the case may be) covenanted, warranted, undertaken and guaranteed to the Purchaser that:

(i) the 2009 ESL Net Profit and 2010 ESL Net Profit shall not be less than the 2009 ESL Profit Guarantee of HK$10 million and the 2010 ESL Profit Guarantee of HK$12 million (together the "**ESL Profit Guarantee**") respectively; and

(ii) the 2009 EFL Net Profit and 2010 EFL Net Profit shall not be less than the 2009 EFL Profit Guarantee of HK$4.5 million and the 2010 EFL Profit Guarantee of HK$5 million (together the **"EFL Profit Guarantee**") respectively.

In relation to the above profit guarantee and the conversion arrangement under the ESL Conversion Conditions and EFL Conversion Conditions, we understand that if the net profit of Excalibur Securities or Excalibur Futures (as the case may be) can not met the ESL Profit Guarantee or EFL Profit Guarantee (as the case may be), the ESL Conversion Right or EFL Conversion Right (as the case may be) shall be reduced based on the 49% of the actual shortfall of the ESL Profit Guarantee or EFL Profit Guarantee (as the case may be), and the remaining portion of the ESL Convertible Bonds or EFL Convertible Bonds (as the case may be) shall be irrevocably forfeited and extinguished.

Having (i) reviewed the terms of the ESL Conversion Conditions and EFL Conversion Conditions; and (ii) discussed with the Directors in relation to the reasons and mechanism of the ESL Conversion Conditions and EFL Conversion Conditions, we concur with the Directors' view that (i) it is beneficial for the Company to at least maintain the profit guarantee even though there is a reduction in the amount to be guaranteed by the ESL Vendor or EFL Vendor (as the case may be); and (ii) the interests of the Company are being protected.

4. The ESL Convertible Bonds and EFL Convertible Bonds

The considerations pursuant to the ESL Agreement and EFL Agreement will be fully satisfied by way of the issue of the ESL Convertible Bonds (in the amount of HK$ 19.2 million) and EFL Convertible Bonds (in the amount of HK$ 9.8 million) respectively to the EFL Vendor or ESL Vendor (as the case may be).

Conversion Price

Trading of the Shares was suspended from 29 September 2005 and resumed on 20 February 2009. The closing price of Shares before the suspension of the trading of the Shares was HK$0.305 and The closing price after suspension of trading of the Shares on 20 February 2009 was HK$0.26. The closing price of the Shares dropped to the minimum of HK$0.198 on 24 February 2009 after the resumption of trading of the Shares on 20 February, representing a drop of approximately 35.09% below the closing price of HK$0.305 before the suspension of trading of the Shares. The Conversion Price represents a discount to the closing price of the Shares in the following manner:

Date/period	**Closing price/ average closing price per Share for the period** *(HK$)*	**Premium/ (discount) of the Conversion Price over/to the closing price/ average closing price per Shares in the respective period** *(%)*
Closing price as at 6 March 2009, being the date immediately before the suspension of trading of the Shares pending release of the Company's announcement dated 16 March 2009 (the "**Last Trading Day**")	0.25	(36%)
Average closing price for the last five consecutive trading days immediately prior to the Last Trading Day	0.26	(38.46%)
Average closing price for the last ten consecutive trading days immediately prior to the Last Trading Day	0.2518	(36.46%)

In order to further assess the fairness and reasonableness of the terms of the ESL Convertible Bonds and EFL Convertible Bonds, and having considered that the principal amount of ESL Convertible Bonds and EFL Convertible Bonds, we have identified, to the best of our knowledge and as far as we are aware of, the recent issue in 2008 until the Last Trading Date of convertible bonds/notes (the "**CB Comparables**") denominated in Hong Kong dollars by listed companies in Hong Kong on the main board and the growth enterprise market of the Stock Exchange with the principal amount of HK$50 million or below for reference. We believe that the CB Comparables reflect the recent market trend of the terms of convertible bonds/notes in the market. Shareholders should note that the business, operation and prospect of the Company are not the same as the CB Comparables and we have not conducted any in-depth investigation into business and operation of the CB Comparables. The CB Comparables hence only used to provide a general reference for the common market practice of listed companies in Hong Kong in transactions involving the issue of convertible bonds/notes. The table below summaries our relevant findings:

CB Comparables	**Stock Code**	**Date of Announcement**	**Principal amount of convertible bond/note** *(HK$ million)*	**Maturity** *(Years)*	**Coupon Interest** *(%)*	**Premium of (discount) of the issue price over/to price of shares as at the last trading day prior to the release of announcement** *(%)*
Inno-Tech Holdings Limited	8202	12/12/2008	43.4	2	0%	(19.20)
Unity Investments Holdings Ltd.	913	9/10/2008	38.0	3	0%	(5.71)
Radford Capital Investment Ltd.	901	29/9/2008	45.0	3	0%	(9.09)
Rising Development Holdings Ltd.	1004	25/9/2008	43.2	3	0%	(13.04)
China Chief Cable TV Group Ltd.	8153	2/9/2008	50.0	3	2%	0.22
Maximum:			**50**	**3**	**2**	**0.22**
Minimum:			**38**	**2**	**0**	**(19.20)**
Average:			**43.92**	**2.8**	**0.4**	**(9.36)**
ESL Convertible Bonds and EFL Convertible Bonds			**29**	**3**	**0**	**(36.00)**

Source: HKEx

The conversion price of the CB comparables ranged from a discount of approximately 19.2% below and a premium of approximately 0.22% over the respective closing prices of their shares as at the last trading day prior to the release of announcement. The Conversion Price, which represents a discount of approximately 36% below the closing price of the Share as at the Last Trading Day and is hence below the range of the CB Comparables.

Even the Conversion Price represents a discount of approximately 36% to the closing price of the Company as at the Last Trading Day and is out of the range of the CB Comparables in the market, after taking into consideration (i) the prolonged suspension of trading of the Shares for more than three years from 29 September 2005 and resumption of trading of the Shares on 20 February 2009; (ii) the reducing liquidity of the Shares traded on the main board of the Stock Exchange after resumption of trading of the Shares on 20 February 2009; (iii) the market price of the Shares may be fluctuated due to the current financial market condition caused by the global financial crisis in view of the business nature of the Group; and (iv) the ESL Conversion Conditions and EFL Conversion Conditions restricting the full conversion of the ESL Conversion Bonds and EFL Conversion Bonds by the ESL Vendor or EFL Vendor (as the case may be), we concur with the Directors' view that the Conversion Price of the ESL Convertible Bonds and EFL Convertible Bonds is fair and reasonable.

Conversion limitation and conditions

The conversion of the ESL Convertible Bonds and EFL Convertible Bonds is subject to the ESL Conversion Conditions and EFL Conversion Conditions. Having reviewed the ESL Conversion Conditions and EFL Conversation Conditions, and the limitation to the ESL Bondholder or EFL Bondholder to convert any ESL Convertible Bonds or EFL Convertible Bonds, we are of the view that such conversion conditions ensure the benefit of the Company from the profit guarantee provided by ESL Vendor or EFL Vendor (as the case may be), and such conversion limitation can prevent the Company from breach of the minimum public float requirement under the Listing Rules. Thus, we concur with the Directors' view that the limitation and conditions on conversion of the ESL Convertible Bonds and EFL Convertible Bonds is for the interest of the Company and the Shareholders as a whole.

Interest Rate

As presented by the above table, the ESL Convertible Bonds and EFL Convertible Bonds do not accrue any interest. The CB Comparables carried a range of annual interest rate of 0% to 2%, and four out of five of the CB Comparables do not bear any interest. We note that the ESL Convertible Bonds and EFL Convertible Bonds with no interest bearing fall into the range of the CB Comparables and most of the convertible bonds/notes with principal amount below HK$50 million do not bear any interest. Accordingly, we consider the ESL Convertible Bonds and EFL Convertible Bonds without interest is comparable to the market and is thus fair and reasonable.

Maturity

The CB Comparables have a maturity period of two years to three years from the date of issues. The ESL Convertible Bonds and EFL Convertible Bonds, both are of 3 years maturity, are normal for debt securities of similar kind.

Conclusion

Having considered the above, we are of the view that the principal terms of the ESL Convertible Bonds and EFL Convertible Bonds are fair and reasonable and the issue of the ESL Convertible Bonds and EFL Convertible Bonds as a whole is on normal commercial terms and in the interests of the Company and the independent Shareholders as a whole.

5. Potential dilution to the shareholding interests of the public Shareholders

The table below demonstrates the Company's shareholding structure (i) as at the Latest Practicable Date; and (ii) upon ESL Completion and EFL Completion after the conversion of the ESL Convertible Bonds and EFL Convertible Bonds.

	As at the Latest Practicable Date		**Upon full conversion of the ESL Convertible Bonds and the EFL Convertible Bonds by ESL Vendor or EFL Vendor (as the case may be)**	
	Share	*%*	*Share*	*%*
Good Treasure Holdings Limited	108,000,000	14.29	108,000,000	11.52
Lao Chio Kuan	200,000,000	26.45	200,000,000	21.34
ESL Vendor or EFL Vendor (as the case may be)	–	–	181,250,000	19.34
Public Shareholders:	448,070,000	59.26	448,070,000	47.80
	756,070,000	100	937,320,000	100

Upon the full conversion of the ESL Convertible Bonds and EFL Convertible Bonds, a total of 181,250,000 Shares will be issued, representing approximately 23.97% of the existing issued share capital of the Company and approximately 19.34% of issued share capital of the Company as enlarged by the full conversion of the ESL Convertible Bonds and EFL Convertible Bonds.

From the above table, we note that the shareholding interests of the public Shareholders would be diluted from approximately 59.26% to 47.80% upon the full conversion of the ESL Convertible Bonds and EFL Convertible Bonds. Conversion will not be allowed that if, upon such conversion and issue, (1) the ESL Bondholder or EFL Bondholder (as the case may be) and parties acting in concert (as defined under the Takeovers Code) with it will be interested in 30% (or such amount as may from time to time specified in the Takeovers Code as being the level for triggering a mandatory general offer) or more of the then enlarged issued share capital of the Company or will be under an obligation to make a general offer under the Takeovers Code; (2) each of (i) any of the Shareholders holding more than 20% or more of the voting rights of the Company; and (ii) the ESL Bondholder or EFL Bondholder (as the case may be) and its parties acting in concert (as defined under the Takeovers Code) will hold 20% or more of the voting rights of the Company respectively; or (3) the public float of the Company falls below 25% of the issued share capital of the Company. After taking into consideration that (i) as confirmed by the Directors, the ESL Acquisition and EFL Acquisition can improve the income and profitability of the Group and in turn enhance the Shareholders' value in the future; (ii) the issue of the ESL Convertible Bonds and EFL Convertible Bonds would enable the Group to complete the ESL Acquisition and EFL Acquisition with no immediate cash outlay upon ESL Completion and EFL Completion; and (iii) it is not likely, if not impossible, for the Group to use other fund raising exercises such as rights issue or open offer in light of the current unfavorable market sentiment, we are of the view that the potential dilution to the shareholding interests of the public Shareholders is acceptable.

6. *Possible financial effects of the Acquisition*

Effect on earnings

The audited net loss attributable to the equity holders of the Company for the year ended 31 March 2008 was approximately HK$5.83 million, while the unaudited net profit attributable to the equity holders of the Company for the six months ended 30 September 2008 was approximately HK$24.43 million. According to the unaudited pro forma income statement of the Enlarged Group as set out in Appendix IV to the Circular, the pro forma consolidated net profit attributable to the equity holders of the Company upon completion of the acquisition of 51% issued share capital of each of Excalibur Securities and Excalibur Futures amounted to approximately HK$2.61 million.

Following the ESL Completion and EFL Completion, the Enlarged Group recorded a pro forma net loss attributable to the equity holders of the Company of approximately HK$4.31 million. Such turn from profit to loss was mainly attributable to (i) the adjustment for the yearly imputed interest expenses on the ESL Convertible Bonds and EFL Convertible Bonds for ESL Acquisition and EFL Acquisition respectively; and (ii) the adjustment for the yearly imputed interest expense on the placing of convertible bond issued at the beginning of the year ended 31 March 2008.

Having considered that (i) the Group's unaudited net profit of approximately HK$24 million for the six months ended 30 September 2008; (ii) the expansion plan of the Group, together with Excalibur Securities and Excalibur Futures; (iii) the expected profit contribution from Excalibur Securities and Excalibur Futures to the Group in the future upon ESL Completion and EFL Completion; and (iv) the one-off expenses and the issue of ESL Convertible bonds and EFL Convertible Bonds for the ESL Acquisition and EFL Acquisition, we concur with the Directors' view that the Group's profitability is able to be improved and the ESL Acquisition and EFL Acquisition can bring positive impact to the Group.

Effect on net asset value

The audited consolidated net assets of the Group as at 31 March 2008, as extracted from the annual report of the Company for the year ended 31 March 2008, was approximately HK$21.04 million. The unaudited consolidated net assets of the Group as at 30 September 2008, as extracted from the interim report of the Company for the six months ended 30 September 2008, was approximately HK$45.47 million.

According to the unaudited pro forma consolidated balance sheet of the Enlarged Group as set out in Appendix IV to the Circular, upon completion of the acquisition of 51% issued share capital of Excalibur Securities and Excalibur Futures, the pro forma net asset value of the Enlarged Group was approximately HK$64.26 million. Upon the ESL Completion and EFL Completion, the pro forma net asset value of the Enlarged Group increased to approximately HK$99.6 million.

Effect on gearing and working capital

As at 31 March 2008, the Group's gearing ratio calculated as a percentage of total debts over total assets was approximately 40.30%. According to the unaudited pro forma consolidated balance sheet of the Enlarged Group as set out in Appendix IV to the Circular, the pro forma gearing ratio of the Enlarged Group decreased to approximately 29.14% upon completion of the acquisition of 51% issued share capital of each of Excalibur Securities and Excalibur Futures. As the consideration for the ESL Acquisition and EFL Acquisition will be satisfied by issue of ESL Convertible Bonds and EFL Convertible Bonds, the pro forma gearing ratio of the Enlarged Group upon ESL Completion and EFL Completion then increased to approximately 29.85%.

On the other hand, the net working capital (i.e. current assets less current liabilities) and cash and bank balance (including pledged bank deposits but excluding trust deposit) of the Group as at 31 March 2008 amounted to approximately HK$20.55 million and HK$17.59 million respectively. Upon the completion of the acquisition of 51% issued share capital of the each of Excalibur Securities and Excalibur Futures, the pro forma net working capital and cash and bank balance of the Enlarged Group amounted to approximately HK$76.46 million and HK$34.07 million respectively. Following to the ESL Completion and EFL Completion, the pro forma net working capital and cash and bank balance of the Enlarged Group amounted to approximately HK$143.01 million and HK$78.68 million respectively. We have further reviewed the management accounts of the Group for the year ended 31 December 2008 and discussed with the management of the Group in relation to the working capital and cash and bank balance of the Group as at 31 March 2009, we concur with the Directors' view that the Group has adequate working capital and cash flow, which would not exert considerable pressure on the working capital of the Group notwithstanding the refundable consideration for the ESL Acquisition and EFL Acquisition were paid by the Group's internal resources.

Even though the Enlarged Group recorded a pro forma net loss upon the acquisition of the remaining 49% issued share capital of Excalibur Securities and Excalibur Futures, after taking into consideration (i) the causes of the pro forma net loss of the Enlarged Group upon ESL Completion and EFL Completion; (ii) the improvement of the net asset value of the Enlarged Group; (iii) the sufficiency of working capital of the Group; and (iv) the business potential from the cost benefits, operating efficiency and other synergy effect in view of the ESL Acquisition and EFL Acquisition, we concur with the Directors' view that the ESL Acquisition and EFL Acquisition will bring positive contribution to the results of the Group.

(B) Refreshed General Mandate

1. Background and reasons of the Refreshed General Mandate

As at the Latest Practicable Date, the Existing General Mandate has been substantially utilized as to 80,000,000 placing shares to independent placees, representing approximately 86.19% of the Existing General Mandate, by Get Nice Securities Limited.

Under such circumstances, if the Refreshed General Mandate cannot be approved by the Independent Shareholders between now and to the next annual general meeting of the Company, the Company may have to wait till August 2009 (i.e. the normal time to convene the Company's annual general meeting), which is around five months from the date of this letter before the general mandate may be granted to the Directors by resolution of Shareholders to be passed at the next annual general meeting of the Company.

As at the latest Practicable Date, the Company has in issue an aggregate of 756,070,000 shares. Subject to the passing of the proposed ordinary resolution for the grant of the Refreshed General Mandate and on the basis that no Shares will be issued and/or repurchased by the Company from the Latest Practicable Date up to the date of the EGM, the Refreshed General Mandate will allow the Directors to be given unconditional general mandate to allot, issue up to a maximum of 151,214,000 new Shares, representing 20% of the issued share capital of the Company at the EGM.

The Directors believe that the Refreshed General Mandate can (i) maintain the financial flexibility necessary for the Group's future business development when investment opportunities are identified; and (ii) strengthen the capital base and financial position of the Company.

2. Financial flexibility and other alternatives

The Directors consider that equity financing is an important avenue of resources to the Company since its does not incur any interest on the Company and security free by nature. The Directors advised that there is no definite plan for any investment nor is there any immediate funding need for the operation and/or development of the Group. The Directors believe that the Refreshed General Mandate will provide the Group with flexibility for possible future fund raising or attractive terms for investment in the Shares become available from potential investors, and is therefore in the best interests of the Company and the Shareholders as a whole.

Having considered that (i) the Refreshed General Mandate would provide the Company with a financial flexibility for potential investments in the future as and when such opportunities arise; and (ii) the Refreshed General Mandate provide the flexibility to raise equity capital for the Company in a timely manner, we are of the opinion that the Refreshed General Mandate would provide the Company with the necessary flexibility to fulfill any possible funding needs for future business development and/or investment decisions, and is in the interests of the Company and the Shareholders as a whole.

3. Other financing alternatives

We have enquired to the Directors and the Directors confirmed that apart from equity financing, the Group will also consider debt financing, such as bank borrowings and issue of bonds, to be other possible fund raising alternatives available to the Group. However, the Directors are of the view that the ability of the Group to obtain bank borrowings usually depends on the Group's profitability, financial position and the then prevailing market condition. Furthermore, such alternative may be subject to lengthy due diligence and negotiations with banks, and will usually incur interest burden on the Group, the Directors consider debt financing to be relatively uncertain, impracticable and time-consuming as compared to equity financing, such as placing of new Shares, for the Group to obtain additional funding.

The Directors confirmed that they would exercise due and careful consideration when choosing the best financing method available to the Group. With this being the case, along with the fact that the Refreshed General Mandate will provide the Company with an additional alternative and it is reasonable for the Company to have the flexibility in deciding the financing methods for its future business development, we are of the view that the Refreshed General Mandate is in the interests of the Company and the Shareholders as a whole.

4. Potential dilution effect on the shareholding structure

The table below sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) upon full utilization of the Refreshed General Mandate (assuming no other Shares are issued or repurchased by the Company):

	Shareholding in the Company As at the Latest Practicable Date		Shareholding in the Company upon full utilisation of the Refreshed General Mandate (assuming no other Shares are issued or repurchased by the Company)		Shareholding in the Company Upon full conversion of the ESL Convertible Bonds and the EFL Convertible Bonds by ESL Vendor or EFL Vendor (as the case may be) and the full utilization of the Refreshed General Mandate (assuming no other Shares are issued or repurchased by the Company)	
	Share	*%*	*Share*	*%*	*Share*	*%*
Good Treasure Holdings Limited	108,000,000	14.29	108,000,000	11.90	108,000,000	9.92
Lao Chio Kuan	200,000,000	26.45	200,000,000	22.04	200,000,000	18.37
Public Shareholders:	448,070,000	59.26	448,070,000	49.39	448,070,000	41.16
Exercise of the Refreshed General Mandate	–	–	151,214,000	16.67	151,214,000	13.89
ESL Vendor or EFL Vendor (as the case may be)	–	–	–	–	181,250,000	16.65
	756,070,000	100	907,284,000	100	1,088,534,000	100

As set out above, the aggregate shareholding of the existing public shareholders will be decreased from approximately 59.26% as at the Latest Practicable Date to approximately 49.39% upon full utilization of the Refreshed General Mandate and further to approximately 41.16% upon full conversion of the ESL Convertible Bonds and EFL Convertible Bonds.

Although the shareholdings of all Shareholders will be diluted in proportion to their respective interests in the Company upon exercise of the Refreshed General Mandate and will be further diluted upon conversion of the ESL Convertible Bonds and EFL Convertible Bonds, it may provide a flexible financing option to the Company. Under such circumstances, we consider that the potential dilution to the shareholdings of the Shareholders to be acceptable.

RECOMMENDATION

Having considered the above factors and reasons, we are of the opinion that the terms of (i) the sale and purchase agreement under the ESL Acquisition; and EFL Acquisition and (ii) the Refreshed General Mandate are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. We note that (i) the ESL Acquisition and EFL Acquisition and (ii) the Refreshed General Mandate would result a potential dilution to the shareholding interests of the public Shareholders. Nevertheless, the dilution effect of the shareholding interests of the Independent Shareholders is considered to be acceptable as discussed above, particularly, it is not likely for the Group to use other fund raising exercises in light of the current unfavorable market sentiment. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM to approve (i) the sale and purchase agreements under the ESL Acquisition and EFL Acquisition and the transactions contemplated therein; and (ii) the Refreshed General Mandate.

Yours faithfully,
For and on behalf of
SinoPac Securities (Asia) Limited

Paul Lui — *Director*

Bruce Tsang — *Associate Director*

A. SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and the assets and liabilities of the Group for the last three financial years, as extracted from the audited financial statements, is set out below.

RESULTS

	2008	2007	2006
	HK$'000	*HK$'000*	*HK$'000*
Turnover	12,355	6,504	29,690
Cost of sales	(4,944)	(3,711)	(21,687)
Gross profit	7,411	2,793	8,003
Reversal of impairment loss on investment deposits	8,000	–	–
Reversal of/(charge for) provision for doubtful debts	699	(1,684)	(2,562)
Other income	1,056	250	4,720
Administrative expenses	(18,638)	(20,420)	(42,477)
Loss from operations	(1,472)	(19,061)	(154,734)
Finance costs	(4,093)	(2,573)	(2,285)
(Loss)/gain on disposal of subsidiaries	(262)	9,196	25,927
Loss before taxation	(5,827)	(12,438)	(131,092)
Taxation	–	(792)	(159)
Loss for the year attributable to equity holders of the Company	(5,827)	(13,230)	(131,251)
Dividends	–	–	–
Loss per share – basic	(1.3 cents)	(2.9 cents)	(28.5 cents)

ASSETS AND LIABILITIES

	As at 31 March		
	2008	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Total assets less current liabilities brought forward	21,215	27,332	42,089
Non-current liabilities			
Retention money payables	–	–	1,385
Obligations under finance leases	179	469	646
Deferred taxation	–	–	2
	179	469	2,033
Net assets	21,036	26,863	40,056
Equity			
Share capital	46,407	46,407	46,407
Reserves	(25,371)	(19,544)	(6,351)
Equity attributable to equity holders of the parent	21,036	26,863	40,056
Minority interests	–	–	–
Total equity	21,036	26,863	40,056

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2008 (Expressed in Hong Kong dollars)

	Notes	2008 HK$'000	2007 HK$'000
Turnover	5	12,355	6,504
Cost of sales		(4,944)	(3,711)
Gross profit		7,411	2,793
Reversal of impairment loss on investment deposits	28	8,000	–
Reversal of/(charge for) provision for doubtful debts	22	699	(1,684)
Other income	7	1,056	250
Administrative expenses		(18,638)	(20,420)
Loss from operations		(1,472)	(19,061)
Finance costs	8	(4,093)	(2,573)
(Loss)/gain on disposal of subsidiaries	41	(262)	9,196
Loss before taxation	9	(5,827)	(12,438)
Taxation	11	–	(792)
Loss for the year attributable to equity holders of the Company	12	(5,827)	(13,230)
Dividends	13	–	–
Loss per share – basic	14	(1.3 cents)	(2.9 cents)

CONSOLIDATED BALANCE SHEET

At 31 March 2008 (Expressed in Hong Kong dollars)

	Notes	2008 HK$'000	2007 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	425	954
Intangible asset	16	–	–
Other non-current assets	17	240	205
Associates	19	–	–
Jointly-controlled entity	20	–	–
		665	1,159
Current assets			
Investments held for trading	21	38,784	38,816
Inventories – finished goods		–	213
Accounts receivable	23	10,303	9,504
Progress payment receivables	24	1	1,417
Other receivables, deposits and prepayments	25	515	800
Retention money receivables	26	375	1,773
Loans receivable	27	–	–
Investment deposits	28	–	–
Amounts due from related companies	45(c)	25	51
Amount due from a director	29	426	–
Pledged bank deposits	30	2,196	2,134
Cash and cash equivalents	31	26,530	7,284
		79,155	61,992
Current liabilities			
Bank overdraft (secured)	32	1,963	1,926
Other borrowings (unsecured)	33	29,735	14,113
Accounts payable, other payables and accrued charges	34	24,511	15,874
Retention money payables	35	958	1,252
Loans payable		–	687
Amount due to a related company	45(c)	890	890
Amount due to a director	45(e)	–	529
Obligations under finance leases	36	290	290
Taxation payable		258	258
		58,605	35,819
Net current assets		20,550	26,173
Total assets less current liabilities		21,215	27,332

	Notes	**2008** *HK$'000*	**2007** *HK$'000*
Total assets less current liabilities		21,215	27,332
Non-current liabilities			
Obligations under finance leases	*36*	179	469
Deferred taxation	*37*	–	–
		179	469
Net assets		21,036	26,863
EQUITY			
Share capital	*38*	46,407	46,407
Reserves		(25,371)	(19,544)
Total equity		21,036	26,863

BALANCE SHEET

At 31 March 2008 (Expressed in Hong Kong dollars)

	Notes	2008 HK$'000	2007 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	–	–
Subsidiaries	18	3,741	6,210
Associates	19	–	–
		3,741	6,210
Current assets			
Investments held for trading	21	38,756	38,756
Other receivables, deposits and prepayments	25	16	16
Loans receivable	27	–	–
Amount due from a related company	45(c)	12	12
Cash and cash equivalents	31	1,181	3
		39,965	38,787
Current liabilities			
Other borrowings (unsecured)	33	10,618	–
Other payables and accrued charges	34	2,425	1,281
Amounts due to subsidiaries	18	41	2,148
		13,084	3,429
Net current assets		26,881	35,358
Net assets		30,622	41,568
EQUITY			
Share capital	38	46,407	46,407
Reserves	40	(15,785)	(4,839)
Total equity		30,622	41,568

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2008 (Expressed in Hong Kong dollars)

	Share capital HK$'000	Reserves: Share premium HK$'000	Share option reserve HK$'000 Note (a)	Special reserve HK$'000 Note (b)	Capital reserve HK$'000 Note (c)	Translation reserve HK$'000 Note (d)	Accumulated losses HK$'000	Total HK$'000
At 1 April 2006	46,407	233,184	1,694	13,524	1,863	(37)	(256,579)	40,056
Recognised directly in equity upon disposal of subsidiaries *(Note 41)*	–	–	–	–	–	37	–	37
Loss for the year	–	–	–	–	–	–	(13,230)	(13,230)
Total recognised income and expenses for the year	–	–	–	–	–	37	(13,230)	(13,193)
Share options lapsed	–	–	(486)	–	–	–	486	–
At 31 March 2007	46,407	233,184	1,208	13,524	1,863	–	(269,323)	26,863
Loss for the year and total recognised expenses for the year	–	–	–	–	–	–	(5,827)	(5,827)
At 31 March 2008	46,407	233,184	1,208	13,524	1,863	–	(275,150)	21,036

Notes:

(a) Share option reserve

The share option reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees of the Group recognised in accordance with the accounting policy adopted for share-based payments in Note 3(u)(iii).

(b) Special reserve

The special reserve represents the difference between the nominal value of the shares of the subsidiaries acquired and the nominal value of the Company's shares issued for the acquisition under the corporate reorganisation of the Group.

(c) Capital reserve

The capital reserve represents the contributions made by the then controlling shareholder under the corporate reorganisation of the Group.

(d) Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in Note 3(t).

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2008 (Expressed in Hong Kong dollars)

	2008 *HK$'000*	**2007** *HK$'000*
Operating activities		
Loss before taxation	(5,827)	(12,438)
Adjustments for:		
Reversal of impairment loss for investment deposits	(8,000)	–
Depreciation of property, plant and equipment	608	918
Interest income	(331)	(166)
Interest expense	4,059	2,542
Interest on obligations under finance leases	34	31
(Reversal of)/charge for provision for doubtful debts	(699)	1,684
Bad debts written off	34	–
Fair value change of investment held for trading	32	–
Loss/(gain) on disposal of subsidiaries	262	(9,196)
Loss on disposal of property, plant and equipment	–	64
Amortisation of intangible asset	–	251
Provision for obsolete inventories	–	238
Operating cash outflows before movements in working capital	(9,828)	(16,072)
Increase in other non-current assets	(35)	–
Decrease/(increase) in inventories	213	(199)
(Increase)/decrease in accounts receivable	(634)	10,387
Decrease in amounts due from customers for contract work	–	657
Decrease/(increase) in progress payment receivables	1,416	(1,208)
(Increase)/decrease in other receivables, deposits and prepayments	(50)	2,069
Decrease in retention money receivables	1,398	3,471
Decrease/(increase) in amounts due from related companies	26	(39)
Increase in amount due from a director	(426)	–
Decrease in bills payable	–	(91)
Increase/(decrease) in accounts payable, other payables and accrued charges	8,907	(6,495)
Decrease in retention money payables	(294)	(580)
(Decrease)/increase in amount due to a director	(529)	29
Cash generated from/(used in) operations	164	(7,571)
Interest received	331	166
Interest paid	(4,059)	(2,542)
Interest on obligations under finance leases	(34)	(31)
Hong Kong profits tax paid	–	(650)
Net cash used in operating activities	(3,598)	(10,628)

	2008	2007
	HK$'000	*HK$'000*
Investing activities		
Purchase of property, plant and equipment	(911)	(180)
Refund of investment deposits	8,000	–
Placement of pledged bank deposits	(62)	(71)
(Decrease)/increase in loans payable	(687)	367
Proceeds from disposal of property, plant and equipment	–	214
Disposal of subsidiaries *(Note 41)*	1,135	(3)
Net cash generated from investing activities	7,475	327
Financing activities		
New borrowings obtained	22,424	2,395
Repayment of other borrowings	(6,802)	–
Repayment of obligations under finance leases	(290)	(282)
Net cash generated from financing activities	15,332	2,113
Net increase/(decrease) in cash and cash equivalents	19,209	(8,188)
Cash and cash equivalents at the beginning of year	5,358	13,546
Cash and cash equivalents at end of year	24,567	5,358
Analysis of the balance of cash and cash equivalents		
Bank balances and cash	26,530	7,284
Bank overdraft (secured)	(1,963)	(1,926)
	24,567	5,358

INTERIM RESULTS

The board (the "Board") of directors (the "Directors") of China Fortune Group Limited (formerly known as China Conservational Power Holdings Limited) (the "Company") announced the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2008 together with the comparative figures for the corresponding period in 2007 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2008

		Six months ended 30 September	
		2008	**2007**
		HK$'000	*HK$'000*
	Notes	(unaudited)	(unaudited)
Turnover	*3*	4,192	5,207
Cost of sales		(2,002)	(2,662)
Gross profit		2,190	2,545
Other revenue		269	403
Administrative expenses		(6,648)	(7,843)
Reversal of impairment losses on investment deposits	*4*	8,000	2,500
Reversal of (charge for) impairment losses on investments held for trading	*5*	22,413	(12)
Profit (loss) from operations	*6*	26,224	(2,407)
Finance costs	*7*	(1,793)	(1,921)
Profit (loss) before taxation		24,431	(4,328)
Taxation	*8*	–	–
Net profit (loss) for the period		24,431	(4,328)
Dividend	*9*	–	–
Profit (loss) per share			
– basic	*10*	5.2 cents	(0.9) cents
– diluted	*10*	N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	As at 30 September 2008 HK$'000 (unaudited)	As at 31 March 2008 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	11	245	425
Intangible asset		–	–
Other assets		230	240
Associates		–	–
Jointly-controlled entity		–	–
		475	665
Current assets			
Investments held for trading	12	61,167	38,784
Accounts receivable	13	12,445	10,303
Other receivables, deposits and prepayments		1,499	516
Retention money receivables		–	375
Loan receivable		–	–
Investment deposits		–	–
Amounts due from related companies		25	25
Amount due from a director		524	426
Pledged bank deposits		2,206	2,196
Bank balances – client accounts		15,724	11,140
Bank balances – general accounts and cash		7,946	15,390
		101,536	79,155
Current liabilities			
Bank overdraft (secured)		1,967	1,963
Other borrowings (unsecured)		22,045	29,735
Accounts payable, other payables and accrued charges	14	31,331	24,511
Retention money payables		–	958
Amount due to a related company		890	890
Obligations under finance leases		20	290
Taxation payable		258	258
		56,511	58,605

	Notes	As at 30 September 2008 HK$'000 (unaudited)	As at 31 March 2008 HK$'000 (audited)
Net current assets		45,025	20,550
Total assets less current liabilities		45,500	21,215
Non-current liabilities			
Obligations under finance leases		33	179
Net assets		45,467	21,036
Equity			
Share capital		46,407	46,407
Reserves		(940)	(25,371)
Total equity		45,467	21,036

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2008

	Six months ended 30 September	
	2008	**2007**
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
NET CASH (USED IN) GENERATED FROM OPERATING ACTIVITIES	(2,940)	3,857
NET CASH GENERATED FROM (USED IN) INVESTING ACTIVITIES	8,182	(1,226)
NET CASH (USED IN) GENERATED FROM FINANCING ACTIVITIES	(8,106)	8,128
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(2,864)	10,759
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	24,567	5,358
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	21,703	16,117
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	23,670	18,126
Bank overdrafts	(1,967)	(2,009)
	21,703	16,117

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2008

	Share capital	Share premium	Share option reserve	Special reserve	Capital reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
As at 1 April 2007	46,407	233,184	1,208	13,524	1,863	(269,323)	26,863
Net loss for the period	–	–	–	–	–	(4,328)	(4,328)
As at 30 September 2007	46,407	233,184	1,208	13,524	1,863	(273,651)	22,535
As at 1 April 2008	46,407	233,184	1,208	13,524	1,863	(275,150)	21,036
Net profit for the period	–	–	–	–	–	24,431	24,431
As at 30 September 2008	46,407	233,184	1,208	13,524	1,863	(250,719)	45,467

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

1. Organisation and operations

China Conservational Power Holdings Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (2000 Revision) of the Cayman Islands. Its registered office and principal place of business are located at P.O. Box 309, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands, British West Indies and at 1702-3, 17th Floor, Skyline Commercial Centre, 71-77 Wing Lok Street, Sheung Wan, Hong Kong respectively.

The Group engages in electrical engineering contracting, trading of electrical equipment and materials, investment holding and securities brokerage and financing. The Group operates primarily in Hong Kong. The Company is an investment holding company. The activities of the principal subsidiaries are set out in Note 46 to the financial statements. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), but have been suspended for trading on the Stock Exchange since 29 September 2005.

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

In the current year, the Group has adopted all of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant to its operations and effective for the current accounting period of the Group and the Company. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies.

The impact of the adoption of HKFRS 7 "Financial Instruments: Disclosures" and HKAS 1 Amendment: "Capital Disclosures" has been to expand the disclosures provided in these financial statements regarding the Group's financial instruments and management of capital.

At the date of authorisation of these financial statements, the following standards and interpretations were in issue but not yet effective:

		Effective for annual periods beginning on or after
HKAS 1 (Revised)	Presentation of financial statements	1 January 2009
HKAS 23 (Revised)	Borrowing costs	1 January 2009
HKAS 27 (Revised)	Consolidated and separate financial statements	1 July 2009
HKASs 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation	1 January 2009
HKFRS 2 (Amendment)	Share-based payment-vesting conditions and cancellation	1 January 2009
HKFRS 3 (Revised)	Business combinations	1 July 2009
HKFRS 8	Operating segments	1 January 2009
HK(IFRIC) – Int 12	Service concession arrangements	1 January 2008
HK(IFRIC) – Int 13	Customer loyalty programmes	1 July 2008
HK(IFRIC) – Int 14	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction	1 January 2008

The Group has not early adopted any of these new or revised standards and interpretations, and is in the process of making an assessment of what the impact of these new or revised standards or interpretations is expected to be in the period of their initial application.

3. Principal accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable HKFRSs, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance.

These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

(b) Basis of preparation of financial statements and material uncertainties in respect of going concern

(i) These financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain financial instruments which are carried at fair value.

(ii) HKAS 1 "Presentation of Financial Statements" requires management to make an assessment of an entity's ability to continue as a going concern in preparing financial statements, and when management is aware, in making this assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, management is required to disclose these uncertainties.

In preparing these financial statements, the Directors are aware of the following conditions and uncertainties which may cast significant doubt about the ability of the Group to continue as a going concern:

- The Group incurred a loss of HK$5,827,000 for the year ended 31 March 2008 and had accumulated losses of HK$275,150,000 as at 31 March 2008.

- The Group had net current assets of HK$20,550,000 and net assets of HK$21,036,000 as at 31 March 2008. However, a significant proportion of the Group's net current assets and net assets is the Group's investments held for trading (comprising both Preference Shares and Ordinary Shares) in China Sciences Conservational Power Limited ("CSCPL"), the details of which are set forth in Note 21 to the financial statements. CSCPL is a company listed on the Stock Exchange but the trading of its ordinary shares has been suspended since 29 September 2005. The investment in the CSCPL Preference Shares was valued by the Directors at HK$36,000,000 as at 31 March 2008 after deducting an impairment loss of HK$24,800,000, with reference to a valuation of the fair value of the investment carried out by a professional firm of independent valuers as at 31 March 2006. The professional valuation assumed, inter alia, that CSCPL will be able to continue to carry on business as a going concern. The investment in the CSCPL Ordinary Shares was valued by the Directors at HK$2,756,000 as at 31 March 2008 after deducting an impairment loss of HK$2,944,000 estimated by the Directors.

As set out in Note 21 to the financial statements, the Company has served a notice with CSCPL to redeem the CSCPL Preference Shares in full. The recoverability of the final amount of the CSCPL Preference Shares redemption proceeds from CSCPL is uncertain as it is dependent upon CSCPL's financial position which is largely affected by the outcome of CSCPL's application to resume trading of its ordinary shares on the Stock Exchange so that it can proceed with various financing transactions to raise cash. The Group's ability to dispose of its investment in the CSCPL Ordinary Shares is also subject to the abovementioned uncertainty.

Despite the above conditions and the existence of the above uncertainties on the recovery of the CSCPL Preference Shares redemption proceeds and the ability to dispose of the CSCPL Ordinary Shares, which indicate the existence of material uncertainties which may cast significant doubt about the ability of the Group to continue as a going concern, the Directors have prepared these financial statements on the assumption that the Group will continue as a going concern. The Directors are of the view that it is appropriate for these financial statements to be prepared on a going concern basis on the basis of the following:

- the Directors' critical assessment of CSCPL's ability to proceed with various financing transactions to raise cash to repay the CSCPL Preference Shares redemption proceeds to the Company.

- the Directors' critical assessment of the outcome of the Company's fund raising exercise. As set out in the Company's circular dated 30 June 2008 and Note 42 to the financial statements, the Company had entered into a placing agreement on 27 February 2008 as amended on 30 May 2008 for the placing of convertible bonds of principal amount of HK$50 million with zero coupon rate due in three years from the date of issue to provide funds for the repayment of the Group's outstanding indebtedness, expansion of the margin financing business and general working capital. The placing is conditional upon, inter alia, the resumption of trading of the Company's shares on the Stock Exchange. The Directors confirm that they are working closely with the Stock Exchange and all the professional advisers on its application for a resumption of trading of its shares on the Stock Exchange.

- after the year end, as set out in Note 33 to the financial statements, a lender has renewed the interest bearing loans of HK$10 million and HK$12 million outstanding as at 31 March 2008 to 25 May 2009 and 15 June 2009 respectively, on similar terms and conditions. This lender has also agreed in principle to extend the loan facilities to the Group beyond June 2009 in the event that the placing of the convertible bonds does not materialise.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made to restate the values of the assets to their immediate recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effects of these adjustments have not been reflected in these financial statements.

(c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 March each year.

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

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

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

The gain or loss on disposal of subsidiaries represents the difference between the proceeds of the sale and the Group's share of their net assets together with any attributable goodwill and exchange difference which was not previously charged or recognised in profit or loss.

(d) Business combinations

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

Goodwill arising on acquisition is recognised in accordance with the accounting policy for goodwill in note 3(h) below.

(e) Subsidiaries

Subsidiaries are entities in which the Group has the power to govern the financial and operating policies, so as to obtain benefits from their activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

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

(f) Associates

Associates are entities over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, interests in associates are stated in the consolidated balance sheet at the Group's share of the net assets of the associate, less impairment in the value of individual investments. The Group's share of the post-acquisition results and reserves of associates is include in the consolidated income statement and consolidated reserves respectively. Losses of an associate in excess of the Group's interest in that associate are not recognised.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a Group entity transacts with an associate of the Group, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associate, except where unrealised losses provide evidence of an impairment of the assets transferred, in which case they are recognised immediately in profit or loss.

(g) Jointly-controlled entities

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's interests in jointly-controlled entities are 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 jointly-controlled entities is include in the consolidated income statement and consolidated reserves, respectively. Where the profit sharing ratio is different to the Group's equity interest, the share of post-acquisition results of the jointly-controlled entities is determined based on the agreed profit sharing ratio. Unrealised gains and losses resulting from transactions between the Group and its jointly-controlled entities are eliminated to the extent of the Group's interest in the jointly-controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of jointly-controlled entities, which was not previously eliminated or recognised in the consolidated reserves, is include as part of the Group's interests in jointly-controlled entities. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

(h) Goodwill

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

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

Where the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, after reassessment, the excess is recognised immediately in profit or loss.

On the disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of associates and jointly-controlled entities is described in Notes 3(f) and (g).

(i) Property, plant and equipment

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

Depreciation is charged so as to write off the cost of assets, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each balance sheet date, with the effect of any changes in estimate accounted for on a prospective basis. The principal annual rates are as follows:

Leasehold improvements	20%
Furniture and fixtures	25%
Office equipment	25%
Motor vehicles	25%

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

(j) Intangible assets (other than goodwill)

Intangible assets are recorded at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful life and amortisation method are reviewed at the end of each balance sheet date, with the effect of any changes in estimate being accounted for on a prospective basis.

(k) Impairment of assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

(l) Installation contracts

When the outcome of an installation contract can be estimated reliably, contract revenue and costs are recognised in the income statement by reference to the stage of completion of the contract activity at the balance sheet date, as measured by surveys on works performed.

When the outcome of an installation contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred when it is probable that they will be recoverable and contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

(m) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes cost of purchase of materials computed using the weighted average cost method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and cost necessary to make the sale.

(n) Financial assets

Financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value. These financial assets are subsequently accounted for as follows, depending on their classification:

(i) Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss where the financial asset is either held for trading or it is designated as at fair value through profit or loss. Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial assets.

(ii) Loans and receivables

Accounts receivable, progress payments receivable, retention money receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

(iii) Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For equity securities, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

– significant financial difficulty of the issuer or counterparty; or

– default or delinquency in interest or principal payments; or

– it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities are not reversed.

– For accounts receivable, progress payment receivables, retention money receivables, loans and other receivables, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate, where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss should not result in the asset's carrying amount exceeding that which have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of secured margin loans and cash clients receivables included in accounts and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against accounts receivable, progress payment receivables, retention money receivables, loans and other receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or where appropriate, a shorter period.

(v) Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

(o) Financial liabilities and equity instrument issued by the Group

(i) Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

(ii) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

(iii) Financial liabilities

Financial liabilities, including accounts payable, other payables and accrued charges, retention money payables, loans payable, bank overdraft, other borrowings and obligations under finance leases are initially measured at fair value, net of transaction costs.

The financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis, unless the effect of discounting would be immaterial, in which case they are stated at cost.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period.

(iv) Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

(p) Cash and cash equivalents

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

(q) 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.

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(r) Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

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

(s) Taxation

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

(i) Current tax

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

(ii) Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

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

(t) Foreign currencies

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates ("functional currency"). For the purpose of the consolidated financial statements, the results and financial position of each Group entity are expressed in Hong Kong dollar which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the Company's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognised in the translation reserve and recognised in profit or loss on disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Hong Kong dollar using exchange rates prevailing at the balance sheet date. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during the period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

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

(u) Employees' benefits

(i) Short term benefits

Salaries, annual bonuses, paid annual leaves and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present value.

(ii) Pension obligation

The Group has participated in an approved Mandatory Provident Fund ("MPF") scheme effective from 1 December 2000 to provide MPF scheme to all eligible employees in Hong Kong. The contributions borne by the Group are calculated at 5% of the salaries and wages (monthly contribution limited to 5% of HK$20,000 for each eligible employee) as calculated under the MPF legislation. Contributions to MPF scheme are recognised as an expense in the income statement as incurred. There were no forfeited contributions used to reduce future contributions as at 31 March 2008.

(iii) Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on granting the share options as the grantees do not have to meet any vesting conditions before becoming unconditionally entitled to the options.

Equity-settled share-based payment transactions with other parties are measured at the fair value of the goods or services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the Group obtains the goods or the counterparty renders the service.

(v) Borrowing costs

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

(w) Related parties

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

(x) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts.

(i) Revenue from the sale of electrical products is recognised when the Group entity has delivered products to the customer, the customer has accepted the products and collectibility of the related receivable is reasonably assured.

(ii) Revenue on installation contracts is recognised using the percentage of completion method by reference to the value of work carried out during the year.

(iii) Interest income is accrued on a time-apportioned basis by reference to the principal outstanding using the effective interest method.

(iv) Brokerage commission income is recognised on a trade date basis when the services are rendered.

(v) Income from securities handling charges and service income is recognised when the services are rendered.

(vi) Dividend on the investment in the CSCPL preference shares is not accrued as the Directors are of the view that the chance of receiving it is slim.

(y) Segment reporting

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

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

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

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

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

4. Critical accounting estimates and judgements

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

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

(a) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(b) Impairment of accounts receivable, retention money receivables, progress payment receivables, loans and other receivables ("loans and receivables")

The Group makes provision for impairment of loans and receivables based on an estimate of their recoverability. Provisions are applied to loans and receivables where events or changes in circumstances indicate that they may not be collectible. The identification of impairment of loans and receivables requires the use of estimates. Where the expectation is different from the original estimates, such difference will impact the carrying value of loans and receivables and provision for impairment losses in the period in which such estimate has been changed.

(c) Impairment of investments held for trading

The management exercises its judgement in the estimation of the impairment losses on the Group's investments in CSCPL Preference Shares and CSCPL Ordinary Shares. The management's valuation is subject to the limitations and uncertainties of the estimates used by management. There would be material changes in the amount of impairment losses recognised in the income statement and accumulated impairment losses if the estimates used by management are changed.

(d) Fair value of share options

Share option expense is subject to the limitations of the option pricing models adopted and the uncertainties in estimates used by management in the assumptions. Should the relevant parameters of the share option model be changed, there may be material changes in the amount of share option expense recognised in the income statement and share option reserve.

5. Turnover

Turnover represents:

	2008	**2007**
	HK$'000	*HK$'000*
Electrical engineering-value of contract work	2,809	2,934
Brokerage income from securities dealings	6,636	1,519
Sale of electrical goods	1,621	1,430
Margin interest income from securities brokerage business	1,289	618
Interest income from unsecured loans	–	3
	12,355	6,504

No income is accrued on the impaired investments held for trading during the years ended 31 March 2008 and 2007.

6. Business and geographical segments

(a) Business segments

For management purposes, the Group is currently organised into three operating divisions. These divisions are the basis on which the Group reports its primary segment information. The principal activities are as follows:

(i) Electrical engineering contracting

(ii) Sale of electrical goods

(iii) Securities brokerage and financing

	Electrical engineering contracting *HK$'000*	Sale of electrical goods *HK$'000*	Securities brokerage and financing *HK$'000*	Consolidated *HK$'000*
For the year ended 31 March 2008				
Turnover				
External sales	2,809	1,621	7,925	12,355
Results				
Segment profit/(loss)	(3,904)	(140)	1,064	(2,980)
Unallocated operating income and expenses				1,508
Loss from operations				(1,472)
Finance costs				(4,093)
Loss on disposal of subsidiaries				(262)
Loss before taxation				(5,827)
Taxation				–
Loss for the year				(5,827)

	Electrical engineering contracting	Sale of electrical goods	Securities brokerage and financing	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 March 2008					
Assets					
Segment assets	2,686	655	36,006	–	39,347
Unallocated corporate assets					40,473
Consolidated total assets					79,820
Liabilities					
Segment liabilities	16,923	1,671	20,632	–	39,226
Unallocated corporate liabilities					19,558
Consolidated total liabilities					58,784
Other information					
Additions to property, plant and equipment	14	–	–	897	911
Depreciation of property, plant and equipment	8	63	74	463	608
Bad debts written off	–	24	10	–	34
Reversal of impairment loss on investment deposits	–	–	–	(8,000)	(8,000)
Reversal of provision for doubtful debts	–	–	(199)	(500)	(699)

	Electrical engineering contracting *HK$'000*	Sale of electrical goods *HK$'000*	Securities brokerage and financing *HK$'000*	Sea freight forwarding and others *HK$'000*	Consolidated *HK$'000*
For the year ended 31 March 2007					
Turnover					
External sales	2,934	1,430	2,140	–	6,504
Results					
Segment loss	(4,153)	(3,861)	(2,393)	(160)	(10,567)
Unallocated operating income and expenses					(8,494)
Loss from operations					(19,061)
Finance costs					(2,573)
Gain on disposal of subsidiaries					9,196
Loss before taxation					(12,438)
Taxation					(792)
Loss for the year					(13,230)

	Electrical engineering contracting	Sale of electrical goods	Securities brokerage and financing	Sea freight forwarding and others	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 March 2007						
Assets						
Segment assets	5,587	1,427	14,480	13	–	21,507
Unallocated corporate assets						41,644
Consolidated total assets						63,151
Liabilities						
Segment liabilities	8,747	2,533	6,451	99	–	17,830
Unallocated corporate liabilities						18,458
Consolidated total liabilities						36,288
Other information						
Additions to property, plant and equipment	11	250	39	–	–	300
Amortisation of trading right	–	–	251	–	–	251
Depreciation of property, plant and equipment	73	86	188	6	565	918
(Gain)/loss on disposal of property, plant and equipment	–	(92)	–	–	156	64
Provision for doubtful debts	145	1,336	82	7	114	1,684

(b) Geographical segments

The Group's electrical engineering contracting, sale of electrical goods and securities brokerage and financing operations are located in Hong Kong.

Over 90% of the Group's revenues during the years ended 31 March 2008 and 2007 were derived from Hong Kong. Accordingly, no geographical information on revenue is presented.

The following is an analysis of the carrying amount of consolidated total assets and additions to property, plant and equipment analysed by the geographical area in which the assets are located.

	Carrying amount of consolidated total assets At 31 March		Additions to property, plant and equipment For the year ended 31 March	
	2008	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong	39,822	24,203	911	300
Others	39,998	38,948	–	–
	79,820	63,151	911	300

7. Other income

	2008	**2007**
	HK$'000	*HK$'000*
Write back of accrued contract costs	337	–
Interest income	331	166
Write back of accrued professional fees	234	–
Handling charges	100	46
Sundry income	54	38
	1,056	250

8. Finance costs

	2008	**2007**
	HK$'000	*HK$'000*
Interest on bank borrowings and overdraft wholly repayable within five years	120	97
Interest on obligations under finance leases	34	31
Interest on other borrowings	3,939	2,445
	4,093	2,573

9. Loss before taxation

	2008	2007
	HK$'000	*HK$'000*
Loss before taxation has been arrived at after charging/(crediting):		
(Reversal of)/charge for provision for doubtful debts *(Note 22)*	(699)	1,684
Amortisation of trading right included in administrative expenses *(Note 16)*	–	251
Auditor's remuneration:		
Current year	620	580
Under-provision in prior years	19	100
Reversal of impairment loss on investment deposits *(Note 28)*	(8,000)	–
Bad debts written off	34	–
Cost of inventories expensed	1,447	1,198
Cost of services provided	3,144	666
Depreciation of property, plant and equipment:		
Owned assets	269	642
Assets held under finance leases	339	276
Exchange losses, net	26	2
Fair value change of investments held for trading *(Note 21)*	32	–
Provision for obsolete inventories	–	238
Loss on disposal of property, plant and equipment	–	64
Operating lease rentals in respect of rented premises	919	1,310
Staff costs excluding directors' remuneration:		
Salaries and allowances	5,988	9,115
Retirement benefit scheme contributions	248	295

10. Directors' and senior executives' emoluments

(a) The emoluments paid or payable to each of the Directors of the Group during the year are as follows:

	Fees	Salaries, allowances and benefits in kind	Retirement benefit scheme contributions	2008 Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors				
Ng Cheuk Fan, Keith *(Note 1)*	644	–	–	644
Sun Tak Yan, Desmond	330	–	–	330
Ng Khai Wain *(Note 4)*	200	–	–	200
You Wei *(Note 4)*	200	–	–	200
Yeung Kwok Leung	130	543	12	685
Independent Non-executive Directors				
Shane Phillips *(Note 5)*	46	–	–	46
Cai Zhixu *(Note 6)*	68	–	–	68
Ho Albert *(Note 5)*	46	–	–	46
Lam Ka Wai, Graham *(Note 2)*	54	–	–	54
Ng Kay Kwok *(Note 2)*	54	–	–	54
Tam B Ray Billy *(Note 3)*	32	–	–	32
Total	1,804	543	12	2,359

Notes:

1. Appointment effective on 4 April 2007.

2. Appointment effective on 14 September 2007.

3. Appointment effective on 4 December 2007.

4. Resigned on 14 August 2007.

5. Resigned on 14 September 2007.

6. Resigned on 4 December 2007.

(a) The emoluments paid or payable to each of the Directors of the Group during the year ended 31 March 2007 are as follows:

	Fees	Salaries, allowances and benefits in kind	Retirement benefit scheme contributions	2008 Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors				
You Wei	601	–	–	601
Ng Khai Wain	601	–	–	601
Yeung Kwok Leung	90	797	12	899
Sun Tak Yan, Desmond	75	–	–	75
Szeto Chak Wah, Michael	–	180	1	181
Lai Man Leung	–	108	1	109
Independent Non-executive Directors				
Cai Zhixu	89	–	–	89
Ho Albert	89	–	–	89
Shane Phillips	89	–	–	89
Chong Yiu Kan, Sherman	9	–	–	9
Tsoi Wai Kwong	9	–	–	9
Au Tin Fung	6	–	–	6
Law Mun Yee	6	–	–	6
Total	1,664	1,085	14	2,763

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2007: three) Directors whose emoluments are reflected in the analysis presented in Note 10(a) above. The emoluments payable to the remaining two (2007: two) individuals during the year are as follows:

	2008	2007
	HK$'000	*HK$'000*
Salaries and other benefits	1,884	3,486
Retirement benefit scheme contributions	70	52
	1,954	3,538

The emoluments fell within the following emolument bands:

	Number of individuals	
	2008	**2007**
HK$		
0 – 1,000,000	1	1
1,000,001 – 2,000,000	1	–
2,000,001 – 3,000,000	–	1

(c) There were no arrangements under which a director or senior management waived or agreed to waive any emoluments, and no incentive payment nor compensation for loss of office was paid or payable to any Director or senior management during the year (2007: Nil).

11. Taxation

(a) Income tax in the consolidated income statement represents:

	2008	2007
	HK$'000	*HK$'000*
Underprovision of Hong Kong profits tax in respect of prior years	–	790
Deferred taxation *(Note 37)*	–	2
	–	792

No provision for Hong Kong profits tax has been made in the financial statements as the Group entities operating in Hong Kong had no assessable profit for the year ended 31 March 2008 (2007: Nil).

(b) The taxation charge for the year can be reconciled to the accounting loss as follows:

	2008	2007
	HK$'000	*HK$'000*
Loss before taxation	(5,827)	(12,438)
Tax credit at Hong Kong profits tax rate of 17.5% (2007: 17.5%)	(1,020)	(2,177)
Tax effect of expenses that are not deductible in determining taxable profit	1,224	255
Tax effect of income that is not taxable in determining taxable profit	(1,484)	(951)
Utilisation of tax losses previously not recognised	(63)	–
Deferred tax asset on tax losses and other timing differences not recognised	1,343	2,873
Underprovision in prior years	–	792
Taxation charge for the year	–	792

Details of deferred taxation are disclosed in Note 37 to the financial statements.

12. Loss attributable to equity holders of the Company

The loss attributable to equity holders of the Company includes a loss of HK$10,946,000 (2007: profit of HK$1,512,000) which has been dealt with in the financial statements of the Company.

13. Dividends

No dividend has been paid, declared or proposed by the Company during the year and up to the date of approval of these financial statements (2007: Nil).

14. Loss per share – basic

The calculation of the basic loss per share is based on the following data:

	2008	**2007**
	HK$'000	*HK$'000*
Loss for the purpose of basic loss per share	(5,827)	(13,230)
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic loss per share	464,070	464,070

Diluted loss per share is not presented for both years as the potential dilutive ordinary shares resulting from the exercise of the Company's outstanding share options are anti-dilutive.

15. Property, plant and equipment

	Leasehold improvements	Furniture and fixtures	Office equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
The Group					
Cost:					
At 1 April 2006	615	4,297	4,279	1,860	11,051
Additions	–	–	50	250	300
Disposals	–	(2,639)	(855)	(278)	(3,772)
At 31 March 2007	615	1,658	3,474	1,832	7,579
Additions	604	–	307	–	911
Disposal of subsidiaries *(Note 41)*	(604)	–	(293)	–	(897)
At 31 March 2008	615	1,658	3,488	1,832	7,593
Accumulated depreciation:					
At 1 April 2006	501	3,973	3,733	994	9,201
Charge for the year	98	120	296	404	918
Written back on disposal	–	(2,471)	(780)	(243)	(3,494)
At 31 March 2007	599	1,622	3,249	1,155	6,625
Charge for the year	54	22	193	339	608
Disposal of subsidiaries *(Note 41)*	(40)	–	(25)	–	(65)
At 31 March 2008	613	1,644	3,417	1,494	7,168
Net book value:					
At 31 March 2008	2	14	71	338	425
At 31 March 2007	16	36	225	677	954

Notes: The Group leases motor vehicles under finance leases expiring from one to two years. None of the leases includes contingent rentals.

At the balance sheet date, the net book value of motor vehicles held under finance leases of the Group was HK$338,000 (2007: HK$677,000). The related depreciation charge was HK$339,000 (2007: HK$276,000).

During the year, apart from the leased assets, the Group did not have any material pledge of property, plant and equipment (2007: Nil).

	Office equipment
	HK$'000
The Company	
Cost:	
At 1 April 2006, 31 March 2007 and 31 March 2008	157
Accumulated depreciation:	
At 1 April 2006	134
Charge for the year	23
At 31 March 2007	157
Charge for the year	–
At 31 March 2008	157
Net book value:	
At 31 March 2008	–
At 31 March 2007	–

16. Intangible asset

	The Group
	HK$'000
Cost:	
At 1 April 2006, 31 March 2007 and 31 March 2008	2,380
Accumulated amortisation:	
At 1 April 2006	2,129
Charge for the year *(Note 9)*	251
At 31 March 2007	2,380
Charge for the year	–
At 31 March 2008	2,380
Net carrying amount:	
At 31 March 2008	–
At 31 March 2007	–

Note: The intangible asset represents the trading right on the Stock Exchange. The trading right is amortised over its estimated useful life of 10 years. The amortisation charge for the trading right for the prior year is included in "administrative expenses" in the consolidated income statement.

17. Other non-current assets

	The Group	
	2008	**2007**
	HK$'000	*HK$'000*
The Stock Exchange		
– Compensation fund deposits	50	50
– Fidelity fund deposits	50	50
– Stamp duty deposits	30	5
Hong Kong Securities Clearing Company Limited		
– Guarantee fund contribution	60	50
– Admission fees	50	50
At 31 March	240	205

18. Subsidiaries

	The Company	
	2008	**2007**
	HK$'000	*HK$'000*
Unlisted shares, at cost	15,186	15,186
Amounts due from subsidiaries	198,674	254,619
	213,860	269,805
Less: Impairment losses	(210,119)	(263,595)
	3,741	6,210

The amounts due from subsidiaries are unsecured, interest free and in substance represent the Company's interest in the subsidiaries in the form of quasi-equity loans.

The Directors assessed that the investments in subsidiaries and the amounts due from subsidiaries are impaired due to sustained losses incurred. Consequently, a provision for impairment loss was made.

The amounts due to subsidiaries are unsecured, interest free and have no fixed terms of repayment.

Particulars of the Company's principal subsidiaries at the balance sheet date are set out in Note 46.

19. Associates

	The Group	
	2008	**2007**
	HK$'000	*HK$'000*
Share of net assets	–	–

	The Group	
	2008	2007
	HK$'000	*HK$'000*
Unlisted shares, at cost	35,000	35,000
Amounts due from associates	33,428	33,428
	68,428	68,428
Less: Impairment losses	(68,428)	(68,428)
	–	–

The Directors assessed that the interests in associates are totally impaired due to sustained losses incurred. Consequently, a full provision for impairment was made.

Particulars of the Group's associates as at the balance sheet date are as follows:

Name of associate	Form of business structure	Place of incorporation/ operation	Class of shares held	Effective percentage of equity interest held by the Group	Principal activities
Bright Rich International Limited	Incorporated	Hong Kong/ Hong Kong	Ordinary	50%	Inactive
Sharpway Enterprises Limited	Incorporated	The British Virgin Islands/ The PRC	Ordinary	50%	Inactive
United Asia Terminal Holdings Limited	Incorporated	The British Virgin Islands/ The PRC	Ordinary	40%	Investment holding
Shanghai Fortune Limited	Incorporated	Hong Kong/ The PRC	Ordinary	40%	Investment holding
Fortune Union Investment Limited	Incorporated	Hong Kong/ The PRC	Ordinary	40%	Investment holding
Shanghai United Asia Container Services Co., Ltd. 上海聯亞集裝箱服務有限公司	Sino-foreign equity joint venture	The PRC/ The PRC	Registered capital	36%	Inactive

20. Jointly-controlled entity

	The Group	
	2008	**2007**
	HK$'000	*HK$'000*
Share of net assets	–	–

The Directors assessed that the interest in the jointly-controlled entity is totally impaired due to sustained loss incurred.

Particulars of the Group's jointly-controlled entity as at the balance sheet date are as follow:

Name of company	Form of business structure	Place of incorporation and operation	Class of capital held	Attributable equity interest held by the Group	Principal activities
Dagong Credit Information Service Co., Ltd. 大公信用信息服務有限公司	Incorporated	The PRC	Registered Capital	50%	Provision of credit information rating services in the PRC

21. Investments held for trading

	The Group		The Company	
	2008	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Investments in CSCPL *(Notes)*				
Non-voting cumulative redeemable convertible preference shares ("Preference Shares")				
– unlisted, at cost	60,800	60,800	60,800	60,800
Ordinary Shares – listed, at cost	5,700	5,700	5,700	5,700
	66,500	66,500	66,500	66,500
Less: Impairment losses	(27,744)	(27,744)	(27,744)	(27,744)
	38,756	38,756	38,756	38,756
Other listed investment at fair value *(Note 9)*	28	60	–	–
	38,784	38,816	38,756	38,756

Notes:

(a) The Preference Shares were issued by China Sciences Conservational Power Limited ("CSCPL") and carry a fixed preferential dividend at 3% per annum. The trading of the Ordinary Shares of CSCPL on the Stock Exchange (Code: 351) has been suspended since 29 September 2005. No quoted market prices in the Ordinary Shares of CSCPL have been available and the fair values of the Preference Shares and Ordinary Shares could not be reliably measured since that date.

As at 31 March 2008, the carrying value of the 80,000,000 CSCPL Preference Shares was estimated by the Directors based on a professional valuation carried out as at 31 March 2006. The CSCPL Preference Shares as at 31 March 2006 were valued by a firm of independent professional valuers at HK$36,000,000 using the discounted cash flow model, based on a specific pricing model and parameters. Accordingly, an impairment loss of HK$24,800,000 was made.

The CSCPL Preference Shares matured on 4 July 2008 and the Company has served a notice with CSCPL to redeem the CSCPL Preference Shares in full. The Directors understand that CSCPL has already put in place a number of financing transactions which, if implemented, will inter alia, provide CSCPL with sufficient working capital to redeem the CSCPL Preference Shares in full. The financial transactions are conditional upon the Stock Exchange allowing CSCPL to proceed with the proposal for the resumption of trading of its ordinary shares, which was submitted to the Stock Exchange on 27 February 2008. On 6 June 2008, CSCPL was notified by the Stock Exchange that the resumption of trading in the shares is subject to the prior fulfilment of certain conditions. Details of the conditions and the financing transactions contemplated by CSCPL are set out in the circular of that company dated 4 July 2008.

Whilst the Directors are optimistic that the Group will be able to receive the CSCPL Preference Share redemption proceeds in full from CSCPL, the Directors are of the view that it is prudent not to write back in the year ended 31 March 2008 any of the impairment loss recognised in prior years.

(b) The carrying value of 7,500,000 CSCPL Ordinary Shares is estimated by the Directors at cost of HK$5,700,000 less impairment loss of HK$2,944,000 as at 31 March 2008 (2007: HK$2,944,000).

(c) No dividend on the CSCPL Preference Shares was accrued by the Directors as they are of the view that the chance of receiving the dividend is slim.

22. (Reversal of)/charge for provision for doubtful debts

	The Group	
	2008	**2007**
	HK$'000	*HK$'000*
Accounts receivable *(Note 23)*	(199)	181
Progress payment receivables *(Note 24)*	–	145
Other receivables, deposits and prepayments *(Note 25)*	(500)	1,358
	(699)	1,684

23. Accounts receivable

	The Group	
	2008	**2007**
	HK$'000	*HK$'000*
Accounts receivable	850	1,260
Less: Provision for doubtful debts	(551)	(551)
	299	709
Accounts receivable from the business of dealing in securities:		
– Clearing houses and cash clients	2,635	4,645
– Secured margin loans *(Note (iii)(b))*	7,420	4,400
Less: Impairment allowance on accounts receivable from the business of dealing in securities		
– Secured margin loans	(51)	(250)
	10,004	8,795
	10,303	9,504

The settlement terms of accounts receivable arising from the business of dealing in securities are two days after trade date.

i) The movement in the provision for doubtful debts for accounts receivable during the year, including both specific and collective loss components, is as follows:

	The Group	
	2008	**2007**
	HK$'000	*HK$'000*
At 1 April	801	620
(Reversal of)/charge for provision for doubtful debts *(Note 22)*	(199)	181
At 31 March	602	801

The provision for doubtful debts has been made for the estimated irrecoverable amounts from the sale of goods and secured margin loans. These provisions have been determined by the Directors with reference to past default experience.

ii) The ageing analysis of the accounts receivable at the balance sheet date is as follows:

	The Group	
	2008	**2007**
	HK$'000	*HK$'000*
Current and up to 30 days	1,730	4,899
31 to 60 days	38	61
61 to 90 days	123	89
Over 90 days	1,043	305
	2,934	5,354

iii) The ageing analysis of accounts receivable which are neither individually nor collectively considered to be impaired is as follows:

	The Group	
	2008	**2007**
	HK$'000	*HK$'000*
Neither past due nor impaired	1,824	2,640
Less than 1 month past due	14	2,391
1 to 3 months past due	56	18
Over 3 months past due	849	–
	919	2,409
	2,743	5,049

(a) Accounts receivable that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

(b) Loans to margin clients are secured by clients' pledged securities, bear variable interest at commercial rates and repayable on demand. No ageing analysis is disclosed as in the opinion of the Directors of the Company, the ageing analysis does not give additional value in view of the nature of business of share margin financing.

As at 31 March 2008, the total market value of securities pledged as collateral in respect of the loans to margin clients were approximately HK$48,506,000 (2007: HK$12,374,000), with no collateral pledged from other accounts receivable.

The Directors consider that the carrying amount of accounts receivable approximates their fair value.

24. Progress payment receivables

	The Group	
	2008	**2007**
	HK$'000	*HK$'000*
Current and up to 30 days	1	1,417
Over 90 days	145	145
	146	1,562
Less: Provision for doubtful debts *(Note 22)*	(145)	(145)
	1	1,417

i) The movement in the provision for doubtful debts for progress payments receivables during the year, including both specific and collective loss components, is as follows:

	The Group	
	2008	**2007**
	HK$'000	*HK$'000*
At 1 April	145	–
Charge for provision for doubtful debts *(Note 22)*	–	145
At 31 March	145	145

The provision for doubtful debts has been made for the estimated irrecoverable amounts from value of contract work. These provisions have been determined by the Directors with reference to past default experience.

The Directors consider that the carrying amount of progress payment receivables approximates their fair value.

25. Other receivables, deposits and prepayments

	The Group		The Company	
	2008	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Other receivables	–	125	–	–
Deposits and prepayments	515	675	16	16
	515	800	16	16

At 31 March 2008 and 2007, certain of the Group's and the Company's other receivables and deposits and prepayments were determined to be impaired. The impaired receivables related to other receivables that the debtors were in financial difficulties and management assessed that only a portion of the receivables is expected to be recoverable. Consequently, a provision for doubtful debts was made. The Group and the Company do not hold any collateral over these balances.

	The Group Other receivables		The Group Deposits and prepayments	
	2008	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Gross amounts	10,614	11,188	515	726
Less: Provision for doubtful debts	(10,614)	(11,063)	–	(51)
Net amounts	–	125	515	675

The movement in the provision for doubtful debts for other receivables during the year, including both specific and collective loss components, is as follows:

	The Group	
	2008	**2007**
	HK$'000	*HK$'000*
At 1 April	11,114	9,756
(Reversal of)/charge for impairment loss provision *(Note 22)*	(500)	1,358
At 31 March	10,614	11,114

The Directors consider that the carrying amounts of other receivables, deposits and prepayments approximate their fair values.

26. Retention money receivables

	The Group	
	2008	**2007**
	HK$'000	*HK$'000*
Retention money receivables, receivable within one year included in current assets	375	1,773

The amount represents monies retained by the clients on progress payments on contract work.

The Directors consider that the carrying amount of retention money receivables approximates their fair value.

27. Loans receivable

	The Group		The Company	
	2008	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Interest bearing loans receivable	69,019	69,019	6,256	–
Less: Impairment losses	(69,019)	(69,019)	(6,256)	–
	–	–	–	–

The Directors assessed that loan receivables are impaired as the amounts are irrecoverable. Consequently, a full provision for impairment was made.

In the opinion of the Directors, ageing analysis of loans receivable does not give additional value and is therefore not presented.

No interest receivable is accrued during the years ended 31 March 2008 and 2007 as the Directors consider that the chance of receiving the interest is slim.

28. Investment deposits

	The Group	
	2008	**2007**
	HK$'000	*HK$'000*
Deposit for formation of a joint venture *(Note (a))*	5,000	5,000
Earnest money for acquisition of an interest in a PRC company engaged in software development *(Note (b))*	12,000	20,000
	17,000	25,000
Less: Impairment losses *(Note (b))*	(17,000)	(25,000)
	–	–

Notes:

(a) A deposit of HK$10,000,000 was paid to a PRC party in May 2002 for the formation of a sino-foreign joint venture in the PRC in which the Group would own 49%. The joint venture was to be principally engaged in construction engineering consultancy and advisory services. The joint venture could not obtain the business licence and half of the deposit amounting to HK$5,000,000 was refunded to the Group on 18 July 2005. Based on the Directors' assessment, full provision was made in respect of the balance of HK$5,000,000.

(b) On 15 July 2005, the Group entered into a letter of intent with an independent third party and a guarantor in relation to the proposed acquisition of certain equity interests in a PRC company, which is principally engaged in the design and distribution of application software specifically for hospitals and clinics in the PRC. Pursuant to the terms of the letter of intent, the Group paid HK$20,000,000 as earnest money.

Pursuant to the termination agreement of the letter of intent dated 28 September 2007, the earnest money paid of HK$20,000,000 was agreed to be fully refunded by the end of July 2008. At 31 March 2008, part of the earnest money amounting to HK$8,000,000 was refunded. Accordingly, this amount of the provision for impairment was reversed and credited to profit or loss. The Directors are of the view that it would be prudent for the Group to continue to provide for the remaining deposit in full.

29. Amount due from a director

Amount due from a director, which is disclosed pursuant to section 161B of the Hong Kong Companies Ordinance, is as follows:–

Secured margin loan made by the Group

Name of borrower:	Yeung Kwok Leung
Position:	Executive Director
Terms of the loan:	
– Duration and repayment terms	Repayable on demand
– Interest rate	8.5% per annum
– Security	Pledged securities
Balance of the loan:	
– at 1 April 2006	HK$Nil
– at 31 March 2007	HK$Nil
– at 31 March 2008	HK$426,000
Maximum balance outstanding:	
– during year ended 31 March 2008	HK$2,255,759
– during year ended 31 March 2007	HK$Nil

There was no amount due but unpaid, nor any provision made against the principal or interest on this loan as at 31 March 2008 (2007: Nil).

As at 31 March 2008, the total market value of securities pledged as collateral in respect of the loan to a director were HK$1,683,300 (2007: Nil).

30. Pledged bank deposits

At the balance sheet date, the Group had pledged bank deposits of HK$2,196,000 (2007: HK$2,134,000) to secure certain bank facilities granted to the Group.

31. Cash and cash equivalents

	The Group		The Company	
	2008	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Bank balances and cash – trust *(Note (a))*	11,140	2,739	–	–
Bank balances and cash – general *(Note (b))*	15,390	4,545	1,181	3
	26,530	7,284	1,181	3

(a) The Group maintains segregated trust accounts with licensed banks to hold clients' monies arising from its securities brokerage and financing business. The Group has classified the clients' monies as bank balances and cash – trust under the current assets section of the balance sheet and recognised the corresponding accounts payable to respective clients on the grounds that it is liable for any loss or misappropriation of clients' monies. The Group is not allowed to use the clients' monies to settle its own obligations.

(b) Bank balances and cash – general earn interest at floating rates based on daily bank deposit rates.

(c) The Directors consider that the carrying amounts of cash and cash equivalents approximate their fair values.

32. Bank overdraft (secured)

	The Group	
	2008	**2007**
	HK$'000	*HK$'000*
At 31 March	1,963	1,926

The bank overdraft is denominated in Hong Kong dollars, repayable on demand and secured by the bank deposits of the Group *(Note 30).*

The average interest rate paid on bank overdraft ranges from prime rate to prime rate less 1% (2007: prime rate less 1%).

The Directors consider that the carrying amount of bank overdraft approximates its fair value due to its short term nature.

33. Other borrowings (unsecured)

	The Group		**The Company**	
	2008	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31 March	29,735	14,113	10,618	–

The Group has four unsecured loans:

(i) a loan of HK$10,000,000 (2007: Nil) which was raised on 25 May 2007. The loan was unsecured and borne interest at prime rate per annum. On 29 May 2008, the lender renewed the loan to the Group to be repaid in full on 25 May 2009. The new loan is unsecured and bears interest at prime rate plus 3% per annum.

(ii) a loan of HK$12,000,000 (2007: HK$20,000,000) which was raised on 15 June 2007. The loan was unsecured and borne interest at 24% per annum. On 13 June 2008, the lender renewed the loan to the Group to be repaid in full on 15 June 2009. The new loan is unsecured and bears interest at 24% per annum.

(iii) a loan of HK$4,000,000 (2007: Nil) which was raised on 4 July 2007. The loan was unsecured and borne interest at 4% per annum. The amount was fully repaid on 15 May 2008.

(iv) a loan of HK$5,000,000 (2007: Nil) which was raised on 7 November 2007. The loan was unsecured and borne interest at 4.5% per annum. The Group repaid part of the loan amounting to HK$2,000,000 on 7 March 2008. The amount was fully repaid on 11 April 2008.

The Directors consider that the carrying amounts of other borrowings approximate their fair values.

34. Accounts payable, other payables and accrued charges

	The Group		The Company	
	2008	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Accounts payable *(Note (a))*	3,665	3,705	–	–
Accounts payable from the business of dealing in securities:				
– Margin and cash clients *(Note (b))*	12,051	5,268	–	–
Other payables and accrued charges	8,795	6,901	2,425	1,281
	24,511	15,874	2,425	1,281

(a) The ageing analysis of accounts payable as at the balance sheet date is as follows:

	The Group	
	2008	**2007**
	HK$'000	*HK$'000*
Current and up to 30 days	56	477
31 to 60 days	71	38
61 to 90 days	53	62
Over 90 days	3,485	3,128
	3,665	3,705

(b) Included in accounts payable amounts of HK$12,051,000 and HK$5,268,000 as at 31 March 2008 and 2007 respectively were payable to clients in respect of the trust and segregated bank balances received and held for clients in the course of the conduct of regulated activities. However, the Group does not have a currently enforceable right to offset these payables with the deposits placed.

Accounts payable to margin and cash clients arising from the business of dealing in securities bear variable interest at commercial rates, and repayable on demand subsequent to settlement date. No ageing analysis is presented as in the opinion of the Directors, the ageing analysis does not give additional value in view of the nature of this business.

The settlement terms of accounts payable arising from the business of dealing in securities are two days after trade date.

The Directors consider that the carrying amounts of accounts payable, other payables and accrued charges approximate their fair values.

35. Retention money payables

	The Group	
	2008	**2007**
	HK$'000	*HK$'000*
Retention money payables, payable within one year included in current liabilities	958	1,252

The amount represents monies retained by the Group on payments to subcontractors on contract work.

The Directors consider that the carrying amount of retention money payables approximates their fair value.

36. Obligations under finance leases

At the balance sheet date, the Group had obligations under finance leases repayable as follows:

	The Group			
	Minimum lease payments		Present value of minimum lease payments	
	2008	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amounts payable under finance leases:				
Within one year	324	324	290	290
More than one year but not exceeding two years	200	324	179	290
More than two years but not exceeding five years	–	200	–	179
	524	848	469	759
Less: Future finance charges	(55)	(89)		
Present value of lease obligations	469	759		
Less: Amounts due for settlement within one year included in current liabilities			(290)	(290)
Amounts due for settlement after one year included in non-current liabilities			179	469

It is the Group's policy to lease certain of its motor vehicles under finance leases. The average lease term is two to three years (2007: two to three years). All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Group's obligations under finance leases are secured by the lessors' title to the leased assets.

37. Deferred taxation

The movements in deferred tax liabilities are as follows:

The Group

	Accelerated tax depreciation
	HK$'000
At 1 April 2006	2
Credit to profit and loss for the year ended 31 March 2007 *(Note 11)*	(2)
At 31 March 2007 and 31 March 2008	–

At the balance sheet date, the Group had unused tax losses of approximately HK$185,957,000 (2007: HK$179,418,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. Unrecognised tax losses may be carried forward indefinitely.

38. Share capital

	The Company	
	2008	**2007**
	HK$'000	*HK$'000*
Authorised:		
1,000,000,000 ordinary shares of HK$0.10 each	100,000	100,000
Issued and fully paid:		
464,070,000 ordinary shares of HK$0.10 each	46,407	46,407

39. Share options

The Company had a share option scheme (the “2001 share option scheme”) which was adopted on 3 April 2001. Pursuant to a shareholders’ resolution dated 12 February 2003, the 2001 share option scheme enabling the Directors to grant options to employees, including Executive Directors of the Company and its subsidiaries, to subscribe for shares of the Company was terminated.

A new share option scheme (the “New Option Scheme”) was approved and adopted by the shareholders of the Company on 12 February 2003. The New Option Scheme is valid and effective for a period of 10 years after the date of adoption.

Under the terms of the New Option Scheme, the Directors of the Company may, at their discretion, grant options to the full-time employees, including Executive Directors of the Company and its subsidiaries, to subscribe for shares of the Company for recognition of their contribution as incentives or rewards. Options granted must be taken up within 30 days of the date of grant. A nominal consideration of HK$1 is payable on acceptance of the grant of an option which will entitle the holders to subscribe for shares of the Company during a period of 5 years commencing on the date of acceptance of the option at a price not less than the higher of (i) the nominal value of the shares of the Company; (ii) the closing price of the shares of the Company on the Stock Exchange on the date of grant; and (iii) the average of the closing prices of the shares of the Company on the Stock Exchange for the five trading days immediately preceding the date of the grant of the option. The maximum number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the New Option Scheme and any other schemes of the Company must not exceed 30% of the shares of the Company in issue from time to time. Subject to the shareholders’ approval, the maximum number of shares in respect of which options may be granted under the New Option Scheme shall not exceed 10% of the shares in issue as at the date of the approval, or the maximum number of shares in respect of which options may be granted to any employee may not exceed 1% of the shares in issue from time to time in a 12-month period. Except for the entitlements of dividends, bonus, rights declared before the exercise of options, any shares allotted and issued on the exercise of an option will rank pari passu with the other shares in issue at the date of exercise of the relevant option.

At 31 March 2008, 13,700,000 (2007: 13,700,000) options had been granted and remained outstanding under the New Option Scheme of the Company, representing approximately 2.95% (2007: approximately 2.95%) of the shares of the Company in issue at that date.

The following table discloses details of the Company's share options held by employees, and movements in such holdings during the year:

For the year ended 31 March 2008

Option type	Outstanding at 1 April 2007	Lapsed during the year	Outstanding at 31 March 2008
2004B	200,000	–	200,000
2004C	2,100,000	–	2,100,000
2006A	11,400,000	–	11,400,000
Total	13,700,000	–	13,700,000

For the year ended 31 March 2007

Option type	Outstanding at 1 April 2006	Lapsed during the year	Outstanding at 31 March 2007
2004B	6,400,000	(6,200,000)	200,000
2004C	2,630,000	(530,000)	2,100,000
2005A	500,000	(500,000)	–
2006A	15,992,600	(4,592,600)	11,400,000
Total	25,522,600	(11,822,600)	13,700,000

At 31 March 2008 and 2007, no share options were held by the Directors.

Details of specific categories of share options are as follows:

Option type	Date of grant	Exercise period	Closing price immediately before/on the date of grant	Exercise price per share
			HK$	*HK$*
2004B	27 August 2003	27 August 2003 to 26 August 2008	1.170	1.3060
2004C	16 January 2004	16 January 2004 to 15 January 2009	0.840	0.8520
2005A	1 April 2004	1 April 2004 to 31 March 2009	0.700	0.700
2006A	2 August 2005	2 August 2005 to 1 August 2010	0.340	0.3520

Options which lapsed or are cancelled prior to their exercise date have been deleted from the register of outstanding options.

40. Reserves

The Company

	Share premium HK$'000	Share option reserve HK$'000	Contributed surplus HK$'000 (Note (a))	Accumulated losses HK$'000	Total HK$'000
At 1 April 2006	233,184	1,694	80,657	(321,886)	(6,351)
Profit for the year and total recognised income for the year	–	–	–	1,512	1,512
Share options lapsed	–	(486)	–	486	–
At 31 March 2007	233,184	1,208	80,657	(319,888)	(4,839)
Loss for the year and total recognised expenses for the year	–	–	–	(10,946)	(10,946)
At 31 March 2008	233,184	1,208	80,657	(330,834)	(15,785)

The Company did not have any reserves available for distribution to shareholders as at 31 March 2008 and 2007. The Company's share premium account may be distributed in the form of fully paid bonus shares.

Notes:

(a) The contributed surplus of the Company represents the difference between the fair value of the underlying net assets of the subsidiaries on the date they were acquired by the Company and the nominal amount of the Company's shares issued under the corporate reorganisation of the Group.

(b) Other reserves are dealt with in accordance with the relevant accounting policies set out in Note 3.

41. Disposal of subsidiaries

2008

On 19 February 2008, the Group disposed of its holding of 100% in the equity interest of Ever Ace Investment Limited and Wellink Shipping Limited for a consideration of HK$1,170,000 in cash.

The net assets of the subsidiaries disposed of at the date of disposal and the loss of disposal based on the audited financial information of the subsidiaries as at 19 February 2008 were as follows:

	HK$'000
Net assets disposed of:	
Property, plant and equipment *(Note 15)*	832
Other receivables, deposits and prepayments	835
Bank balances and cash	35
Accounts payable, other payables and accrued charges	(270)
	1,432
Loss on disposal of subsidiaries	(262)
Cash consideration received	1,170
Net inflow of cash and cash equivalents on disposal of subsidiaries:	
Bank balances and cash disposed of	(35)
Cash consideration received	1,170
	1,135

2007

During the year ended 31 March 2007, the Group disposed of its holding of 60% in the equity interest of Cyber Touch Limited for a consideration of HK$1 in cash. Cyber Touch Limited in turn holds 100% in the equity interest in 北京易行商盟在線網絡技術有限公司.

The net assets of the subsidiaries disposed of at the date of disposal and the gain of disposal based on the unaudited financial information of the subsidiaries as at 31 December 2005 were as follows:

	HK$'000
Net assets disposed of:	
Accounts receivable	19
Other receivables and prepayments	812
Bank balances and cash	3
Trade and other payables	(10,067)
Translation reserve	37
	(9,196)
Gain on disposal of subsidiaries	9,196
Cash consideration received *(HK$1)*	–
Net outflow of cash and cash equivalents on disposal of subsidiaries:	
Bank balances and cash disposed of	(3)
Cash consideration received *(HK$1)*	–
	(3)

42. Capital and other commitments

At the balance sheet date, the Group and the Company had the following commitments in respect of:–

	The Group and the Company	
	2008	**2007**
	HK$'000	*HK$'000*
Contracted but not provided for:		
– acquisition of a subsidiary *(Note (a))*	20,000	–
– placing of Convertible Bonds *(Note (b))*	50,000	–
	70,000	–

Notes:

(a) On 27 February 2008, the Group entered into the Sale and Purchase Agreement (as amended on 30 May 2008) whereby the Group agreed to purchase a 51% of the issued share capital of a target company at a consideration of HK$20,000,000. The consideration shall be satisfied by the issue of the Consideration Convertible Bonds at a fair value of HK$21,600,000 by the Company upon completion. The acquisition is conditional on, among other things, the Stock Exchange having agreed in principle for the resumption of trading of the Company's shares on the Stock Exchange.

The acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules. Details of the acquisition are set out in the Company's circular dated 30 June 2008.

(b) On 27 February 2008, the Company entered into the Placing Agreement (as amended on 30 May 2008) with the Placing Agent in respect of the conditional placing of the Placing Convertible Bonds of principal amount of HK$50,000,000 with zero coupon rate due in three years from the date of issue. The Placing Agreement is conditional on, among other things, the Stock Exchange having agreed in principle for the resumption of trading of the Company's shares on the Stock Exchange. Details of the placement are set out in the Company's circular dated 30 June 2008.

43. Operating lease commitments

The Group is the lessee in respect of its office premises held under operating leases, with leases negotiated for terms ranging from one to two years. None of the leases includes contingent rentals.

	The Group	
	2008	**2007**
	HK$'000	*HK$'000*
Minimum lease payments under operating leases charged as expenses for the year	919	1,310

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	The Group	
	2008	**2007**
	HK$'000	*HK$'000*
Operating leases which expire:		
– within one year	552	742
– in the second to fifth year inclusive	–	295
	552	1,037

44. Contingent liabilities

At the balance sheet date, the Group and the Company did not have any significant contingent liabilities except that the Company had the following contingent liabilities not provided for in the financial statements in respect of:

	The Company	
	2008	**2007**
	HK$'000	*HK$'000*
Guarantee given to a licensed money lender to secure a loan granted to a subsidiary	12,000	–

The Directors consider that the fair value of the above guarantee is not material to the Company.

45. Related party transactions

(a) At the balance sheet date, the Company had provided a guarantee to a lender of its subsidiary in the amount of HK$12,000,000 (2007: Nil).

(b) Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

(c) The amounts due from/(to) related companies are unsecured, interest free and have no fixed terms of repayment.

(d) During the year, the Group charged interest of HK$34,440 (2007: Nil) at 8.5% per annum to one of its Directors *(Note 29)*.

(e) The amount due to a Director is unsecured, interest free and has no fixed terms of repayment.

(f) Members of key management during the year comprised only of the Directors whose remuneration is set out in Note 10 to the financial statements.

46. Principal subsidiaries

Details of the Company's principal subsidiaries as at 31 March 2008 are as follows:

Name of subsidiary	Place of incorporation	Issued and fully paid share capital/ registered capital		Principal activities
		Ordinary/ registered	Deferred	
Brongham Park Limited	Hong Kong	HK$20	HK$1,000,000 *(Note (c))*	Trading in diesel generating sets
Charmview International Trading Limited	Hong Kong	HK$1	–	Inactive
China Legend International Limited	Hong Kong	HK$10,000	–	Investment holding
Country Super Limited	Hong Kong	HK$1,000,000	–	Investment holding

Name of subsidiary	Place of incorporation	Issued and fully paid share capital/ registered capital Ordinary/ registered	Deferred	Principal activities
Hong Tong Hai Capital Limited	Hong Kong	HK$10,000	–	Personal and commercial lending
Hong Tong Hai Consultants Limited	Hong Kong	HK$2	–	Investment holding
Hong Tong Hai Logistics Limited	The British Virgin Islands	US$100	–	Investment holding
Hong Tong Hai Securities Limited	Hong Kong	HK$21,000,000	–	Securities brokerage
Honsda (HK) Electronics Limited	Hong Kong	HK$1	–	Trading of electronic products
Jetcom Limited	The British Virgin Islands	US$1	–	Investment holding
MindGenius Secretarial Services Limited	Hong Kong	HK$10,000	–	Provision of company secretarial services
Oriental Overseas Group Limited	The British Virgin Islands	US$50,000	–	Investment holding
Sinogear Enterprises Limited	The British Virgin Islands	US$1	–	Investment holding
TopStar Enterprises (Holdings) Limited	The British Virgin Islands	US$1	–	Investment holding
Tribest Investments Limited	The British Virgin Islands	US$1	–	Investment holding
Yew Sang Hong (China) Limited	The British Virgin Islands	US$1	–	Investment holding
Yew Sang Hong (BVI) Limited	The British Virgin Islands	US$1	–	Investment holding

Name of subsidiary	Place of incorporation	Issued and fully paid share capital/ registered capital Ordinary/ registered	Deferred	Principal activities
Yew Sang Hong Trading (China) Limited	Hong Kong	HK$2	–	Trading in electrical equipment and materials
Yew Sang Hong Building Services (Maintenance) Engineering Limited	Hong Kong	HK$2	–	Building maintenance
Yew Sang Hong Investment Services Limited	The British Virgin Islands	US$1	–	Investment holding
Yew Sang Hong Limited	Hong Kong	HK$20	HK$12,524,000 *(Note (c))*	Electrical engineering contracting
Yew Sang Hong Trading Limited	Hong Kong	HK$2	HK$2 *(Note (c))*	Trading in electrical equipment and materials

Notes:

(a) Other than Yew Sang Hong (BVI) Limited, Yew Sang Hong (China) Limited, Yew Sang Hong Investment Services Limited, Hong Tong Hai Logistics Limited and Oriental Overseas Group Limited which are directly held by the Company, all other subsidiaries are indirectly held by the Company.

(b) Other than those subsidiaries incorporated in the British Virgin Islands, whose place of operations are basically in Hong Kong, the places of operations of all other subsidiaries are the same as their places of incorporation.

(c) The deferred shares are shares whose shareholders are neither entitled to receive notices, attend or vote at any general meetings nor to receive any dividend out of operating profit and have very limited rights on return of capital of the subsidiaries.

(d) None of the subsidiaries had issued any debt securities at the end of the year.

(e) The above table lists the subsidiaries of the Group which, in the opinion of the Directors, principally affected the results or assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particular excessive length.

47. Capital risk management

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

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

Consistent with industry practice, the Group monitors its capital structure on the basis of the gearing ratio. This ratio is calculated as total debts divided by total assets. Total debts are calculated as total borrowings including bank overdraft (secured), other borrowings (unsecured) and obligations under finance leases, as shown in the balance sheet. Total assets are calculated as total non-current assets, as shown in the balance sheet, plus total current assets.

During the years ended 31 March 2008 and 2007, the Group's strategy was to continue to maintain a gearing ratio of the range 27% to 40%.

The gearing ratios of the Group as at 31 March 2008 and 2007 were as follows:

	2008	2007
	HK$'000	*HK$'000*
Current liabilities		
Bank overdraft (secured)	1,963	1,926
Other borrowings (unsecured)	29,735	14,113
Obligations under finance leases	290	290
	31,988	16,329
Non-current liabilities		
Obligations under finance leases	179	469
Total debts	32,167	16,798
Non-current assets	665	1,159
Current assets	79,155	61,992
Total assets	79,820	63,151
Gearing ratio	40%	27%

48. Financial risk management

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

The main risks arising from the Groups' financial instruments in the normal course of the Group's business are credit risk, liquidity risk, interest rate and currency risk.

The Group does not consider it necessary to use derivative financial instruments to hedge these risk exposures. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

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

(a) Credit risk

Accounts receivable, which include trade receivables, secured margin loans, clearing houses and cash receivables, other receivables and loans receivable represent the Group's major exposure to the credit risk arising from the default of the counterparty, with a maximum exposure equal to the carrying amounts of these financial assets in the consolidated balance sheet. The Group's secured margin loans arising from the ordinary course of business of dealing in securities are secured by the underlying pledged securities. In addition, all receivable balances are monitored on an ongoing basis.

The credit risk of the Group's other financial assets, which comprise bank balances and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

The Group has appointed authorised persons who are charged with the responsibility of approving credit limit of each margin customer. The Group is responsible for approval of stock acceptable for margin lending at a specified ratio. The approved stock list is updated regularly, and will be revised as and when deemed necessary by the Group. The Group will prescribe from time to time lending limit on individual stock or on any individual customer and his/her associates.

The authorised persons of the Group are responsible for making margin calls to customers whose trades exceed their respective limits. Any such excess is required to be made good with two days for securities. The deficiency report will be monitored daily by the Group's finance director and responsible officers.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent Company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

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

The Group

2008	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Bank overdraft (secured)	1,963	1,963	1,963	–
Other borrowings (unsecured)	29,735	30,534	30,534	–
Accounts payable, other payables and accrued charges	24,511	24,511	24,511	–
Retention money payables	958	958	958	–
Amount due to a related company	890	890	890	–
Obligations under finance leases	469	524	324	200
Taxation payable	258	258	258	–
	58,784	59,638	59,438	200

2007	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Bank overdraft (secured)	1,926	1,926	1,926	–	–
Other borrowings (unsecured)	14,113	14,624	14,624	–	–
Accounts payable, other payables and accrued charges	15,874	15,874	15,874	–	–
Retention money payables	1,252	1,252	1,252	–	–
Loans payable	687	687	687	–	–
Amount due to a related company	890	890	890	–	–
Amount due to a director	529	529	529	–	–
Obligations under finance leases	759	848	324	324	200
Taxation payable	258	258	258	–	–
	36,288	36,888	36,364	324	200

The Company

2008	**Carrying amount**	**Total contractual undiscounted cash flow**	**Within 1 year or on demand**
	HK$'000	*HK$'000*	*HK$'000*
Other payables and accrued charges	2,425	2,425	2,425
Other borrowings (unsecured)	10,618	10,711	10,711
	13,043	13,136	13,136

2007	**Carrying amount**	**Total contractual undiscounted cash flow**	**Within 1 year or on demand**
	HK$'000	*HK$'000*	*HK$'000*
Other payables and accrued charges	1,281	1,281	1,281

(c) Interest rate risk

The Group's interest rate risk arises primarily from its borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk. Details of the Group's borrowings have been disclosed in Notes 32 and 33. The Group's interest rate profile as monitored by management is set out below:

	The Group			
	2008		2007	
	Effective Interest Rate %	*HK$'000*	**Effective Interest Rate %**	*HK$'000*
Fixed rate borrowings:				
Other borrowings (unsecured)	4% to 24%	19,117	24%	14,113
Loans payable	N/A	–	N/A	687
Obligations under finance leases	4.5%	469	4.5%	759
		19,586		15,559
Variable rate borrowings:				
Bank overdraft (secured)	4.5%	1,963	7%	1,926
Other borrowings (unsecured)	5.5%	10,618	N/A	–
		12,581		1,926
Total borrowings		32,167		17,485
Fixed rate borrowings as a percentage of total borrowings		61%		89%

	The Company			
	2008		2007	
	Effective Interest Rate %	*HK$'000*	**Effective Interest Rate %**	*HK$'000*
Variable rate borrowings:				
Other borrowings (unsecured)	5.5%	10,618	N/A	–

At 31 March 2008, it is estimated that a general increase or decrease of 100 basis points in interest rates, with all other variables held constant, would increase or decrease the Group's loss for the year and accumulated losses by approximately HK$263,000 (2007: HK$171,000).

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

(d) Currency risk

The Group mainly operates in Hong Kong with most of the transactions settled in Hong Kong dollars and did not have significant exposure to risk resulting from changes in foreign currency exchange rates.

All the Group's borrowings are denominated in the functional currency of the entity taking out the loan. Given this, management does not expect that there will be any significant currency risk associated with the Group's borrowings.

(e) Fair values

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

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

49. Summary of financial assets and financial liabilities by category

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 31 March 2008 and 2007 may be categorised as follows:

	2008	2007
	HK$'000	*HK$'000*
Financial assets		
At fair value through profit or loss		
– investments held for trading	38,784	38,816
Loans and receivables		
(including cash and bank balances)	40,371	22,963
	79,155	61,779
Financial liabilities		
Financial liabilities measured		
at amortised cost	58,526	36,030

50. Post balance sheet events

(a) On 15 April 2008, the Company submitted to the Stock Exchange a resumption proposal with a view to seeking resumption of trading in the ordinary shares of the Company. The Company is waiting to hear the outcome from the Stock Exchange and the conditions, if any, the Company will have to be fulfilled before trading of the Company's shares can be resumed.

(b) On 11 June 2008, the Company served a notice with CSCPL, the issuer of the Group's investments held for trading in the Preference Shares (Note 21 to the financial statements) that the Company will exercise the redemption right on 5 July 2008 to redeem the Preference Shares held by the Company.

B. MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

(i) For the year ended 31 March 2008

Review of Operations

During the year, the Group recorded an audited loss attributable to shareholders of approximately HK$5,827,000 (2007: loss of approximately HK$13,230,000). The decrease in loss was mainly attributable to the recovery of certain investment deposits previously provided for and a better performance of the securities brokerage and margin financing business. The management had tried hard to keep the operating cost of the Group relatively stable under economic climate of inflation.

Electrical Engineering Contracting Business

During the year, the Group had completed all the contracts on hand and no new contracts signed. By recognizing the retention money on the completed contracts, the electrical engineering contracting business generated a turnover of approximately HK$2,809,000, representing a decline of 4.2% from HK$2,934,000 last year. Turnover from electrical engineering contracting business accounted for 22.7% (2007: 45.1%) of the total turnover.

Electrical Materials & Component Trading Business

The electrical materials and components trading business generated a turnover of approximately HK$1,621,000, representing an increase of 13.3% from HK$1,430,000 last year. Turnover from electrical materials & components trading business accounted for 13.1% (2007: 22.0%) of the total turnover.

Securities Brokerage and Financing Business

The securities brokerage and margin financing business generated a turnover of approximately HK$7,925,000, representing an increase of 270.8% from HK$2,137,000 last year. The increase was mainly attributable to the buoyant stock markets in Hong Kong throughout 2007. Turnover from securities brokerage and financing business accounted for 64.2% (2007: 32.9%) of the total turnover.

Sea Freight Forwarding Services Business

The management noted that there is a downturn for the sea freight forwarding services business sector as reflected by Baltic Dry Index and upward trend in the price of petroleum in 2007. After due consideration, the management decided to discontinue the sea freight forwarding services business in January 2008.

Financial Review and Analysis

Financing

Liquidity, Financial Resources and Gearing

The Group's total current assets and current liabilities were approximately HK$79,155,000 (as at 31 March 2007: HK$61,992,000) and approximately HK$58,605,000 (as at 31 March 2007: HK$35,819,000) respectively, while the current ratio was about 1.35 times (as at 31 March 2007: 1.73 times).

As at 31 March 2008, the Group's aggregate cash balance amounted to approximately HK$15,390,000 (as at 31 March 2007: HK$4,545,000), representing 19.4% (as at 31 March 2007: 7.3%) of total current assets. Barring unforeseen circumstances and with the financial support from a lender of the Group, the Directors believe that the Group should have adequate funds and liquidity for its business operations.

As shown in the Group's consolidated balance sheet as at 31 March 2008, consolidated shareholders' funds amounted to approximately HK$21,036,000 (as at 31 March 2007: HK$26,863,000); whereas the Group's total borrowing was about approximately HK$32,167,000 (as at 31 March 2007: HK$16,798,000) only, which mainly comprised of a HK dollar overdraft, other borrowings and finance lease obligations. Bank overdraft carries interest calculated on the prime lending rate, other borrowings carry interests calculated at fixed rate and finance charges are fixed at the time the finance leases are entered.

As at 31 March 2008, the gearing ratio, defined as total debts over total assets, was approximately 40.29% (as at 31 March 2007: 26.59%). The increase in the gearing ratio was mainly due to a new unsecured loan the Group obtained in May 2007 for the purpose of general working capital.

Foreign Exchange Management

The Group's purchases from overseas suppliers are always subject to foreign currency fluctuations. The Group monitors the risks in foreign exchange by way of placing forward foreign exchange contracts. Since the Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Group basically has not changed its foreign exchange management policy. The risks in foreign exchange this year were reduced as overseas purchases decreased at times of reduced trade activities. As at 31 March 2008, the Group had no significant outstanding forward foreign exchange contracts on hand.

Material acquisitions and disposals

A wholly owned subsidiary of the Group had entered into a sale and purchase agreement (as amended on 30 May 2008) with a third party on 27 February 2008 to acquire a 51% of the issued share capital of Excalibur Securities Limited upon resumption of trading of Company's shares. Details can be referred to Company's circular dated 30 June 2008.

Based on the decision made by the management to discontinue the operation of sea freight forwarding services business in January 2008, two wholly owned subsidiaries were disposed to a third party in February 2008. The two wholly owned subsidiaries disposed of mainly hold a tenancy agreement in a class A office premise and office decoration and equipments in this premise.

Contingent Liabilities and Capital Commitments

At 31 March 2008, the Company did not have any significant contingent liabilities except that the Company had contingent liabilities of HK$12 million in respect of guarantee given to a licensed money lender to secure a loan granted to a subsidiary.

At 31 March 2008, the Group and the Company had capital commitments of HK$70 million in respect of amount contracted but not provided for on the acquisition of a subsidiary and placing of convertible bonds.

Pledge of Assets

At 31 March 2008, the Group had pledged bank deposits of approximately HK$2 million (At 31 March 2007: approximately HK$2 million) to secure certain bank facilities available to the Group.

Employees and Remuneration Policy

At 31 March 2008, the Group had a total of 21 full time employees (2007: 26). The Group remunerated employees based on the industry practice and individual's performance. Staff benefits include contributions to retirement benefit scheme, medical allowances and other fringe benefits.

Prospects

The Group is principally engaged in (i) securities brokerage and margin financing; (ii) electrical engineering contracting and (iii) sale of electrical goods.

During the period under review, in light of the fact that there is no new contract on hand, the fierce market condition and the keen competition from the PRC, the Board believes that the situation will be unlikely to improve in the short-term and the electrical engineering contracting and sale of electrical goods businesses will continue to shrink. Seeing that, the management does not intend to put extra resources for its electrical engineering contracting and sale of electrical goods businesses.

On the contrary, viewing that as both the PRC government and Hong Kong government have shown strong confidence and active support to further strengthen Hong Kong as one of the world-class financial centre, the Directors are prudently optimistic about the future of the Hong Kong stock market and strongly believe that it will continue to grow with tremendous opportunity. In addition, taking into account the PRC economy will remain relatively robust and valuations of local blue chips and quality second-liners remain in demand, the PRC stocks are still attractive from a long term investment perspective. The Board has proposed to allocate more resources of the Group to her securities brokerage and margin financing business in near future.

In line with this strategic plan, the Group proposed to acquire Excalibur Securities Limited ("Excalibur"), a licensed corporation under the Securities and Futures Ordinance permitted to engage in type 1 regulated activity (dealing in securities) by entering into a conditional sale and purchase agreement on 27 February 2008. The proposed acquisition is yet to be completed. Upon completion of the proposed acquisition, the Directors consider that the income from securities brokerage and margin financing from Excalibur will provide an additional flow of income stream to the enlarged Group, enhance the operation level and expand the scale of business of the enlarged Group within a reasonable time.

The aforesaid acquisition is one of the key steps of the Company's resumption proposal project. As trading in the shares of the Company was suspended since September 2005, the Board takes the view that resumption of trading of the shares on the Stock Exchange is its prime goal and is determined to use its best endeavor to achieve resumption of trading so as to protect the interest of the shareholders of the Company.

On 15 April 2008, upon engaging financial advisor, the Company submitted a resumption proposal to the Stock Exchange which is still being reviewed by the Stock Exchange. The Company is in course of providing the Stock Exchange further information in relation thereto, particularly: (i) investigating and addressing the issues concerning the arrest of three former Directors of the Company by the Independent Commission Against Corruption for alleged corruption over the misappropriation of funds as well as clarifying the impact on the operations and financial position of the Group; (ii) addressing any concerns issued by the Company's auditors through qualification of their audit report on the financial statements of the Group published after suspension; and (iii) demonstrating that the Company has in place adequate financial reporting system and internal control procedures to enable the Company to meet its obligations under the Listing Rules. Meanwhile, the Company has to demonstrate to the Stock Exchange that it will have sufficient level of operations or assets of sufficient value under the Listing Rule 13.24.

In order to show competence, the Board has, inter alias, engaged and appointed an independent accounting firm to review the financial affairs of the Company during the period from October 2003 to December 2005, and a separate exercise to review the financial reporting system and internal control procedures of the Company.

The Directors believe that by implementing the above strategic plans, the Group could anticipate a healthy growth in its securities brokerage and margin financing business while in a ready position to broaden its business scope.

(ii) For the year ended 31 March 2007

Review of Operations

During the year, the Group recorded an audited net loss attributable to shareholders of approximately HK$13,230,000 (2006: loss of approximately HK$131,251,000). Provisions on interest in associates, investment deposits, loans and margin receivable, loans interest receivable and investment held for trading in the amount of approximately HK$122,418,000 had been made by the Group in the financial year ended 31 March 2006. During the year, no material provision had been made, thus the loss decreased sharply.

Electrical Engineering Contracting Business

During the year, the electrical engineering contracting business had completed all the contracts on hand. The business generated a turnover of approximately HK$2,934,000, representing a decline of 83.4% from HK$17,737,000 last year. Turnover from the business accounted for 45.1% (2006: 59.8%) of the total turnover of the Group for the year.

Electrical Materials & Component Trading Business

The sales from electrical materials and components trading of the Group decreased by 23.3% to approximately HK$1,430,000 as compared to HK$1,865,000 in the corresponding period of last year.

Securities Brokerage and Financing Business

Hong Tong Hai Securities Limited is engaged in securities brokerage and margin financing business. The income from these operations decreased to approximately HK$2,137,000 from approximately HK$5,011,000 in the corresponding period of last year, representing a decrease of 57.3%. The decrease is mainly due to the resignation of several senior staff of Hong Tong Hai Securities Limited during the year. The Group had already recruited a number of experienced staff to fill the vacancies for smooth operation.

Hong Tong Hai Capital Limited did not grant any new loan during the year under review. The money lender licence expired on 15th June 2006 and had not been renewed.

Other Businesses

The Group recorded a realised gain of approximately HK$9,196,000 during the year from the disposal of two subsidiaries.

Financial Review and Analysis

Financing

Liquidity, Financial Resources and Gearing

The Group's total current assets and current liabilities were approximately HK$61,992,000 (as at 31 March 2006: HK$89,335,000) and approximately HK$35,819,000 (as at 31 March 2006: HK$50,661,000) respectively, while the current ratio was about 1.73 times (as at 31 March 2005: 1.76 times).

As at 31 March 2007, the Group's aggregate cash balance amounted to approximately HK$7,284,000 (as at 31 March 2006: HK$16,045,000), representing 11.7% (as at 31 March 2006: 18%) of total current assets. Barring unforeseen circumstances and with the continued financial support from the substantial shareholder and a lender of the Group, the Directors believe that the Group has adequate funds and liquidity for its business operations.

As shown in the Group's consolidated balance sheet as at 31 March 2007, consolidated shareholders' funds amounted to approximately HK$26,863,000 (as at 31 March 2006: HK$40,056,000); whereas the Group's total borrowing was approximately HK$16,798,000 (as at 31 March 2006: HK$16,737,000) only, which mainly comprised of HK dollar overdrafts, borrowings and finance lease obligations. Bank overdrafts carry interests calculated on the prime lending rate, other borrowings carry interests calculated at fixed rate and finance charges are fixed on the date the finance leases are entered.

As at 31 March 2007, the gearing ratio, defined as total debts over total assets, was approximately 26.59% (as at 31 March 2006: 18.04%). The increase in the gearing ratio was mainly due to the decrease in total assets of the Group during the year.

Foreign Exchange Management

The Group's purchases from overseas suppliers are always subject to foreign currency fluctuations. The Group monitors the risks in foreign exchange by way of placing forward foreign exchange contracts. Since the Company's shares listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Group basically has not changed its foreign exchange management policy. The risks in foreign exchange within this year were reduced accordingly because of the decrease in oversea purchases at times of reduced trade activities. As at 31 March 2007, the Group had no significant outstanding forward foreign exchange contracts on hand.

Contingent Liabilities and Capital Commitments

At 31 March 2007, the Group had no material contingent liabilities and capital commitments.

Pledge of Assets

At 31 March 2007, the Group had pledged bank deposits of approximately HK$2 million (as at 31 March 2006: approximately HK$2 million) to secure certain bank facilities available to the Group.

Prospects

It is the Board's intention to continue with the existing business operations of the Group including electrical engineering contracting business, trading in electrical materials and components, investment holding, securities brokerage and margin financing, while at the same time looking for new business opportunities. For sea freight forwarding services business, the Board is in the course of formulating a strategic plan to restart this business.

The Board is determined to use their best endeavor to maintain a high standard of corporate governance.

Trading in the shares of the Company has been suspended since 29 September 2005. The Board will use its best endeavor to formulate a plan for the resumption of trading of the shares of the Company so as to protect the interest of the shareholders of the Company.

(iii) For the year ended 31 March 2006

Review of Operations

During the year, the Group recorded an audited loss attributable to shareholders of approximately HK$131,251,000 (2005: loss of approximately HK$94,376,000). The loss attributable to shareholders was mainly due to the making of provisions on investment deposits (HK$25,000,000), loans and margin receivable (HK$63,550,000), loans interest receivable (approximately HK$5,637,000) and investments held for trading (approximately HK$27,764,000).

Electrical Engineering Contracting Business

During the year, the Group continued the work in progress without any addition of new projects. The electrical engineering contracting business generated a turnover of approximately HK$17,737,000, representing a decline of 59.0% from HK$43,307,000 last year. Turnover from electrical engineering contracting business accounted for 59.7% (2005: 42.3%) of the total turnover of the Group.

During the year under review, various contracts, including the contracts for electrical engineering work at Tseung Kwan O Area 74 phase 4 and Tin Shui Wai Area 102-phase 2 and the term contract for electrical maintenance work for Hong Kong Housing Authority and Architectural Services Department were completed.

As at 31 March 2006, the value of the Group's outstanding electrical engineering contracts on hand amounted to approximately HK$779,000.

Electrical Materials & Component Trading Business

Given the continued unfavourable market condition of local construction industry, the external sales from electrical materials and components trading of the Group decreased by 43.6% from approximately HK$3,306,000 in the previous year to approximately HK$1,865,000. In addition, with the increasing import of electrical appliances from Mainland China, it is believed that the competitive environment for the electrical materials and components trading will not improve in the near future.

Securities Brokerage and Financing Business

Hong Tong Hai Securities Limited and Hong Tong Hai Capital Limited are engaged in asset management, financing, money-lending, and securities brokerage business. The income from these operations increased to approximately HK$10,078,000 from approximately HK$5,458,000 in the last financial year, representing an increase of 84.6%, as a result of the increased transactions in the financing and money-lending operations.

Hong Tong Hai Capital Limited is currently seeking legal and professional advice for the recovery of the overdue loans.

Sea Freight Forwarding Services

The sea freight forwarding services has been temporarily suspended after several senior management staff resigned at the beginning of the year under review. The Group has not yet identified suitable staff for the recommencement of the sea freight forwarding business up to the date of this report and will continue to look for suitable candidates.

Other Businesses

The Group recorded a realised gain of approximately HK$25,927,000 during the year for the disposal of three subsidiaries and made a provision for an associate company in the amount of approximately HK$467,000.

In addition, by exercising prudence, the Group has made provisions for impairment in the total of approximately HK$121,951,000 in respect of investment deposits, investments held for trading, loans receivable and loan interest receivables.

Financial Review and Analysis

Financing

Liquidity, Financial Resources and Gearing

As at 31 March 2006, the Group's total current assets and current liabilities were approximately HK$89,335,000 (as at 31 March 2005: HK$118,585,000) and approximately HK$50,661,000 (as at 31 March 2005: HK$53,042,000) respectively, while the current ratio was about 1.76 times (as at 31 March 2005: 2.24 times).

As at 31 March 2006, the Group's aggregate cash balance amounted to approximately HK$19,707,000 (as at 31 March 2005: HK$13,303,000), representing 22.06% (as at 31 March 2005: 11.22%) of total current assets. Barring unforeseeable circumstances and with the financial support from a substantial shareholder of the Company, the Directors believe that the Group should have adequate funds and liquidity for its business operations.

As shown in the Group's consolidated balance sheet as at 31 March 2006, total equity amounted to approximately HK$40,056,000 (as at 31 March 2005: HK$139,937,000); whereas the Group's total borrowings was approximately HK$16,737,000 (as at 31 March 2005: HK$10,723,000) only, which mainly comprised of HK dollar overdrafts, borrowings and finance lease obligations. Bank overdrafts carry interest on the prime lending rate, other borrowings carry interest at fixed rate and finance charges are fixed on the date finance leases are entered into. Compared with the level of inventory level in the last financial year, the inventory level as at the end of this period decreased by 46.6%, which was mainly attributed to the shrinking of the electrical materials and components trading business.

As at 31 March 2006, the gearing ratio, defined as total debts over total assets, was approximately 18.04% (as at 31 March 2005: 4.38%). The increase in the gearing ratio was mainly due to new borrowing obtained from financial institutions.

Placing of New Shares and Use of Proceeds

On 21 April 2005, the Company placed a total of 77,344,000 new shares of HK$0.10 each at a consideration HK$0.40 per share, with Kingston Securities Limited as a placing agent, to independent investors pursuant to the placing underwriting agreement dated 22 March 2005, further details of which are set out in the announcement of the Company dated 22 March 2005. The placing of shares was completed on 21 April 2005.

The net proceeds of the abovementioned placing of shares amounted to approximately HK$30.1 million was intended to be used for making future investments including, inter alia, the proposed acquisition of up to 49% of the equity interest of a pharmaceutical product and investment company in the People's Republic of China. As the proposed acquisition did not proceeded, the entire amount of the net proceeds has been retained as the Group's general working capital.

Major Investments

During the year under review, the Group made no major investment except for the investment in the non-voting cumulative redeemable convertible preference shares of China Sciences Conservational Power Limited ("CSCPL"), which were issued by CSCPL to the Group as consideration for the disposal of the Group's investment in the waste incineration processing plant in Dongguan. Details of this disposal are set out in notes 25(a), 45 and 49 of the notes to the financial statements.

Foreign Exchange Management

The Group's purchases from overseas suppliers are always subject to foreign currency fluctuations. The Group monitors the risks in foreign exchange by way of placing forward foreign exchange contracts. Since the Company's shares are listed on The Stock Exchange of Hong Kong Limited, the Group basically has not changed its foreign exchange management policy. The risks in foreign exchange this year were reduced because of the decrease in overseas purchases at times of reduced trade activities. As at 31 March 2006, the Group had no significant outstanding forward foreign exchange contracts on hand.

Contingent Liabilities and Capital Commitments

Details of contingent liabilities and capital commitments are set out in notes 42 and 43 to the financial statements respectively.

Pledge of Assets

Details of the pledge of assets are set out in note 47 to the financial statements.

Prospects

On 29 September 2005, the Independent Commission Against Corruption issued a press release in relation to the arrest of 22 individuals for alleged corruption over the misappropriation of funds from listed companies and it was subsequently mentioned in certain press articles that several former directors of the Company had been arrested. As a result, the Company requested a suspension in the trading of its shares with the effect from 9:30 a.m. on 29 September 2005. Trading of the shares of the Company remains suspended.

Since October 2005, the composition of the Board of the Company has undergone substantial changes. The Special Board Committee, comprising two former directors of the Company, was formed on 31 October 2005 to review the existing financial and business position of the Group. On 13 December 2005, CCIF CPA Limited, a firm of certified public accountants which is an independent third party, was appointed at the recommendation of the Special Board Committee to conduct a review of the financial affairs of the Group for the period from 1 April 2005 to 31 December 2005 (the "Financial Due Diligence Review"). Subsequent to the change in most of the Directors of the Board in May 2006 as a result of the change in substantial shareholder of the Company, the current Board is in the course of reviewing the draft reports on the Financial Due Diligence Review. The current Board will also review the existing businesses of the Group with the intention to formulate a proposal to submit to the Stock Exchange for the resumption of trading of the shares of the Company.

With the termination of a number of proposed acquisition, the current Board intends to continue for the time being with the existing business operation of the Group including electrical engineering contracting business, trading in electrical materials and components, investment holding, securities brokerage, financing, money-lending and sea freight forwarding services. For the electrical engineering contracting business, the current Board is currently negotiating an electrical engineering contract in a development site in Tseung Kwan O but no contracts have been signed up to the date of this report.

C. INDEBTEDNESS STATEMENT OF THE ENLARGED GROUP

As at the close of business on 31 March 2009, being the latest practicable date for the purpose of ascertaining information contained in this indebtedness statement prior to printing of this circular, the Enlarged Group had zero coupon convertible bonds in principal amount of HK$50 million due on 18 February 2012. The convertible bonds may be convertible into ordinary shares of the Company at an initial convertible price of HK$0.10 per share during its conversion period up to 18 February 2012, being the maturity date of the convertible bonds on the third anniversary from the date of issue. The convertible bonds are interest free.

Save as aforesaid and apart from intra-group liabilities, the Enlarged Group did not have any mortgages, charges, debentures, loan capital, bank loans and overdrafts, term loans, debt securities or other similar indebtedness, finance leases or hire purchase commitment, liabilities under acceptances or acceptance credits, or any guarantees, or other material contingent liabilities outstanding at the close of business on 31 March 2009.

For the purpose of this indebtedness statement, foreign currency amounts have been translated into Hong Kong dollars at the approximate rates of exchange prevailing as at 31 March 2009.

The directors are not aware of any material adverse changes in the Group's indebtedness position and contingent liabilities since 31 March 2009.

Working capital

The Directors, after due and careful consideration, are of the opinion that, taking into account the financial resources available of the Group, including internally generated funds and the available banking facilities, the Group will have sufficient working capital for at least twelve months from the date of this circular.

Material adverse change

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 March 2008, being the date of which the latest audited financial statements of the Group were made up.

The following is the text of a report, prepared for the purpose of inclusion in this circular, received from ESL's reporting accountants, K. H. Chan & Company, Certified Public Accountants (Practising), Hong Kong.

K. H. Chan & Company
Certified Public Accountants (Practising)
陳健衡會計師事務所

Room 2301
Ginza Square
565-567 Nathan Road
Kowloon, Hong Kong

8 May 2009

The Directors
China Fortune Group Limited
13/F., Sunning Plaza
10 Hysan Avenue
Causeway Bay
Hong Kong

Dear Sirs,

We set out below our report on the financial information regarding Excalibur Securities Limited（駿溢証券有限公司）("ESL") including the balance sheets of ESL as at 31 December 2006, 2007 and 2008, and the related income statements, statements of changes in equity and statements of cash flows of ESL for each of the years ended 31 December 2006, 2007 and 2008 (the "Relevant Periods") and the summary of significant accounting policies and other explanatory notes thereto (collectively the "Financial Information"), for inclusion in a Circular dated 8 May 2009 (the "Circular") issued by China Fortune Group Limited (the "Company") in connection with its proposed investment of the remaining 49% interest in ESL. The Financial Information has been prepared on a basis consistent with the accounting policies adopted by the Company.

ESL was incorporated in Hong Kong on 9 July 1992 under the Companies Ordinance. The principal activities of ESL are securities brokerage and margin financing. As at 31 December 2008, the directors of ESL consider the immediate holding company to be Pioneer (China) Limited, a company incorporated in Hong Kong and the ultimate holding company to be Kademan Limited, a company incorporated in British Virgin Islands.

We have acted as auditors of ESL throughout the Relevant Periods covered by this report.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL INFORMATION

The directors of ESL during the Relevant Periods, are responsible for preparing the respective financial statements which give a true and fair view of the financial condition and results of operations of ESL, in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and 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. In addition, the directors of ESL also have a responsibility to ensure that the financial statements are in accordance with the records kept under the Securities and Futures (Keeping of Records) Rules and satisfy the requirements of the Securities and Futures (Accounts and Audit) Rules. The directors of ESL are responsible for the contents of the Circular in which this report is included.

REPORTING ACCOUNTANTS' RESPONSIBILITIES

For the Financial Information for each of the years ended 31 December 2006, 2007 and 2008, it is our responsibility to express an independent opinion, based on our examination, on the Financial Information and to report our opinion solely to you, for no other purpose.

BASIS OF OPINION AND REVIEW WORK PERFORMED

As a basis for forming an opinion on the Financial Information of ESL, for the purpose of this report, we have carried out appropriate audit procedures in respect of the Financial Information for the Relevant Periods in accordance with Hong Kong Standards on Auditing and with reference to Practice Note 820 "The audit of licensed corporations and associated entities of intermediaries" Issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have carried out such procedures as we considered necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

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

We planned and performed 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 Financial Information is free from material misstatement. In forming our opinion, we also evaluated the overall adequacy of the preparation of the Financial Information. We believe that our audit provides a reasonable basis for our opinion.

OPINION AND REVIEW CONCLUSION

In our opinion, for the purpose of this report, all adjustments considered necessary have been made and the Financial Information gives a true and fair view of the state of affairs of ESL as at 31 December 2006, 2007 and 2008 and of its combined results and cash flows for the years then ended.

A. FINANCIAL INFORMATION

COMBINED INCOME STATEMENTS

		Year ended 31 December		
		2006	2007	2008
	Note	*HK$'000*	*HK$'000*	*HK$'000*
Total value of transactions	*7*	12,182,479	49,801,283	20,833,442
Turnover	*8*	14,674	12,798	5,763
Other income		3,201	4,811	3,834
		17,875	17,609	9,597
Administrative expenses		(14,606)	(10,299)	(2,901)
Other operating expenses		(161)	(349)	(1,406)
Profit from operations		3,108	6,961	5,290
Finance costs		(465)	(127)	(4)
Profit before taxation	*9*	2,643	6,834	5,286
Taxation	*11*	(171)	(1,159)	(1,004)
Profit for the year		2,472	5,675	4,282

COMBINED BALANCE SHEETS

		As at 31 December		
		2006	**2007**	**2008**
	Note	*HK$'000*	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS				
Property, plant and equipment	*12*	387	624	275
Stock exchange trading right	*13*	880	880	880
Shares in The Hong Kong Exchange and Clearing Ltd		81	100	100
Deposits with The Stock Exchange of Hong Kong Ltd		50	50	50
Deposit to replenish compensation fund		53	52	52
Fidelity Fund		100	100	100
Admission fee paid to a clearing house		100	100	100
Contribution to CCASS guarantee fund		100	100	100
Stamp duty deposit		30	30	30
		1,781	2,036	1,687
CURRENT ASSETS				
Amounts receivable arising from the ordinary course of business of dealing in securities	*14*	30,157	49,044	30,184
Deposits and prepayment		5	604	625
Cash and bank balances	*15*	21,144	98,723	10,882
Prepaid income tax	*16*	139	–	101
		51,445	148,371	41,792

		As at 31 December		
		2006	**2007**	**2008**
	Note	*HK$'000*	*HK$'000*	*HK$'000*
CURRENT LIABILITIES				
Tax payable	*16*	–	847	–
Accounts payable and accruals		698	680	749
Amounts payable arising from the ordinary course of business of dealing in securities	*17*	22,155	109,808	3,898
Amount due to a related company	*18*	5,959	9,022	4,500
		28,812	120,357	9,147
NET CURRENT ASSETS		22,633	28,014	32,645
TOTAL ASSETS LESS CURRENT LIABILITIES		24,414	30,050	34,332
NON-CURRENT LIABILITY				
Deferred taxation	*16*	39	–	–
NET ASSETS		24,375	30,050	34,332
CAPITAL AND RESERVES				
Share capital	*19*	20,000	20,000	20,000
Reserves		4,375	10,050	14,332
		24,375	30,050	34,332

STATEMENTS OF CHANGES IN EQUITY

	Share capital *HK$'000*	**Retained profits** *HK$'000*	**Total** *HK$'000*
At 1 January 2006	20,000	1,903	21,903
Profit for the year	–	2,472	2,472
At 31 December 2006	20,000	4,375	24,375
Profit for the year	–	5,675	5,675
At 31 December 2007	20,000	10,050	30,050
Profit for the year	–	4,282	4,282
At 31 December 2008	20,000	14,332	34,332

COMBINED CASH FLOW STATEMENTS

	Year ended 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
OPERATING ACTIVITIES			
Profit before taxation	2,643	6,834	5,286
Adjustments for			
Interest income	(2,314)	(3,574)	(3,187)
Finance costs	465	127	4
Depreciation on property, plant and equipment	153	349	349
Operating profits before changes in working capital	947	3,736	2,452
Decrease in amount due from a related company	107	–	–
Increase in shares in the Hong Kong Exchanges and Clearing Limited	–	(19)	–
Decrease in deposit to replenish compensation fund	–	1	–
Increase/(decrease) in amounts receivable arising from the ordinary course of business of dealing in securities	(17,790)	(18,887)	18,860
Decrease/(increase) in deposits and prepayment	1	(599)	(21)
Increase/(decrease) in accounts payable and accruals	258	(18)	69
Increase/(decrease) in amounts payable arising from the ordinary course of business of dealing in securities	15,166	87,653	(105,910)
Increase/(decrease) in amount due to a related company	5,959	3,063	(4,522)
Decrease in amount due to an ultimate holding company	(73)	–	–
Cash generated from/(used in) operations	4,575	74,930	(89,072)
Tax paid			
Hong Kong profits tax paid	(132)	(212)	(1,952)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	4,443	74,718	(91,024)

	Year ended 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
INVESTING ACTIVITIES			
Payment for the purchase of property, plant and equipment	–	(586)	–
Interest income	2,314	3,574	3,187
Finance costs	(465)	(127)	(4)
NET CASH GENERATED FROM INVESTING ACTIVITIES	1,849	2,861	3,183
FINANCE ACTIVITY			
Repayment of subordinated loan	(10,000)	–	–
NET CASH USED IN FINANCING ACTIVITY	(10,000)	–	–
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(3,708)	77,579	(87,841)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	24,852	21,144	98,723
CASH AND CASH EQUIVALENTS AT END OF YEAR, REPRESENTED BY BANK BALANCES AND CASH	21,144	98,723	10,882

NOTES TO THE FINANCIAL INFORMATION

1. General information

ESL was incorporated in Hong Kong on 9 July 1992 under the Companies Ordinance. The registered office and principal place of business is located at Room 2512, Cosco Tower, 183 Queen's Road Central, Sheung Wan, Hong Kong. The ultimate holding company of ESL is Sun Hung Kai Securities Limited, a company incorporated in Hong Kong. However, Sun Hung Kai Securities Limited disposed all its ordinary shares on 28 December 2007. As at 31 December 2008, the directors of ESL consider the immediate holding company to be Pioneer (China) Limited, a company incorporated in Hong Kong and the ultimate holding company to be Kademan Limited, a company incorporated in British Virgin Islands.

The principal activities of ESL are securities brokerage and margin financing. There were no significant changes in the nature of ESL's principal activities during the Relevant Periods.

The Financial Information is presented in Hong Kong Dollars which is the functional currency of ESL.

2. Basis of preparation of Financial Information

The Financial Information has been prepared on the historical cost basis and in accordance with Hong Kong Financial Reporting Standards (HKFRSs), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs), and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. In addition, the Financial Information has been prepared in accordance with the records kept under the Securities and Futures (Keeping of Records) Rules and satisfy the requirements of the Securities and Futures (Accounts and Audit) Rules.

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

The HKICPA has issued certain new and revised HKFRSs that are effective for accounting periods beginning on or after either 1 January 2006, 1 January 2007 or 1 January 2008. For the purposes of preparing and presenting the Financial Information for the Relevant Periods, ESL has consistently adopted all the new HKFRSs.

ESL has not yet early adopted the following new standards, interpretations or amendments that have been issued but are not yet effective for ESL's financial year beginning on 1 January 2008. The directors of ESL anticipate that the application of these standards, interpretations or amendments will have no material impact on the results of operations and financial position of ESL.

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKAS 39 (Amendment)	Eligible hedged items[3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 8	Operating Segments[2]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[4]
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate[2]
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation[5]
HK(IFRIC)-Int 17	Distribution of Non-cash Assets to Owners[3]

[1] *Effective for annual periods beginning on or after 1 January 2009 except for the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009*

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

[3] *Effective for annual periods beginning on or after 1 July 2009*

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

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

4. Significant accounting policies

Basis of preparation of the Financial Information

The measurement basis used in the preparation of the Financial Information is historical cost.

Revenue recognition

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

Brokerage and commission income recognized in the financial statements represents brokerage income accrued on all broking transactions traded during the Relevant Periods; and

Interest income is recognized on a time proportion basis taking into account the principal outstanding and the effective rate of interest applicable.

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 recognised directly to equity.

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

Deferred tax assets and liabilities arise from temporary differences at balance sheet date between the carrying amounts of assets and liabilities for financial reporting purposes and the tax bases respectively. Deferred tax assets also arise from unused tax losses and unused tax credits.

All deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised except for the initial recognition of assets or liabilities that affect neither accounting nor taxable profit.

The amount of deferred tax provided is based on the expected manner of realisation or the settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

– in the case of current tax assets and liabilities, ESL intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on the same taxable entity.

Stock Exchange Trading Right

The eligibility right to trade on or through The Stock Exchange of Hong Kong Limited is stated in the balance sheet at cost less impairment losses.

Translation of foreign currencies

Items included in ESL's financial statements are measured using the currency of the primary economic environment in which ESL operates ("functional currency").

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. Expenditure incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance and overhaul costs, is 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 the property, plant and equipment, the expenditure is capitalized as an additional cost of the property, plant and equipment.

When assets are sold or retired, their costs, accumulated depreciation and accumulated impairment loss are eliminated from the balance sheet and any gain or loss resulting from their disposal or retirement is included in the income statement.

Depreciation on property, plant and equipment is provided to write off the costs over their estimated useful lives as follows:–

Leasehold improvement	33-$^1/_3$% (over the lease term)
Computer equipment	33-$^1/_3$% on straight-line method
Office equipment	20% on straight-line method
Furniture and fixtures	20% on straight-line method

A monthly charge for depreciation is made in the month of purchase, while no charge is made in the year of disposal or retirement.

Impairment of non-financial assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment (other than properties carried at revalued amounts); and

– intangible assets

If any such indication exists, the asset's recoverable amount is estimated. In addition, for intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash flows independently.

– *Recognition of impairment losses*

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then, to reduce the carrying amount of the other assets in the unit on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– *Reversals of impairments losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

Provisions

Provisions are recognised when ESL 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 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 ESL expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of ESL's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

Employee benefits

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

Contributions to Mandatory Provident Funds are required under the Hong Kong Mandatory Provident Fund Schemes Ordinance, are recognised as an expense in the income statement as incurred, except to the extent that they are included in the cost of intangible assets and inventories not yet recognised as an expense.

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.

As lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of ESL's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on ESL's net investment outstanding in respect of the leases.

As lessee

Assets held under finance leases are recognised as assets of ESL at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as finance lease obligation. Finance charges, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

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

Lease incentives are recognised in the income statement as an integral part of the net consideration agreed for the use of the leased asset. Contingent rentals are recognised as expenses in the accounting period in which they are incurred.

Related parties

A party is related to ESL if:

(i) directly, or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, ESL; or has an interest in ESL that gives it significant influence over ESL; or has joint control over ESL;

(ii) the party is an associate of ESL;

(iii) the party is a joint venture in which ESL is a venturer;

(iv) the party is a member of the key management personnel of ESL or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) 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 (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of employees of ESL, or of any entity that is a related party of ESL.

Financial instruments

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

Loans and receivables

Loans and receivables including 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 year to maturity. Gains and losses arising from derecognition, impairment or through the amortisation process are recognised in the income statement.

Impairment of financial assets

At each balance sheet date, ESL 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.

Financial liabilities

ESL's financial liabilities include trade and other payables, bank loans and other borrowings and obligations under finance leases. 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.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer of the contract to make specified payments to reimburse the holder of the contract for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee contract is initially recognised as deferred income within trade and other payable at fair value, where such information is available, otherwise, it is recognised at consideration received and receivable. Subsequently, it is measured at the higher of the amount initially recognised, less accumulated amortisation, and the amount of the provision, if any, that is required to settle the commitment at the balance sheet date.

5. Critical accounting judgements and key sources of estimation uncertainty

In the application of ESL's accounting policies which are described in note 4, the directors of ESL are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The following are 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.

Depreciation and amortisation

ESL's net carrying value of property, plant and equipment as at 31 December 2006, 2007 and 2008 were approximately HK$387,000, HK$624,000 and HK$275,000 respectively. ESL depreciates the property, plant and equipment on a straight-line basis over the estimated useful life, and after taking into account of their estimated residual value, at the rate of 20% to 33-$^{1}/_{3}$% per annum, commencing from the date the asset is placed into productive use. The estimated useful life and dates that ESL places the equipment into productive use reflects the directors' estimate of the periods that ESL intend to derive future economic benefits from the use of ESL's property, plant and equipment.

Allowances for bad and doubtful debts

The policy for allowance of bad and doubtful debts of ESL is based on the evaluation of collectability and aging analysis of accounts and on management's judgement. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of debtor of ESL were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

6. Financial risk management objectives and policies

ESL's principal financial instruments comprise of cash and bank balances. The main purpose of these financial instruments is to raise and maintain finance for ESL's operations. ESL has various other financial instruments such as trade receivables and trade payables, which arise directly from its business activities.

The main risks arising from ESL's financial instruments are credit risk. ESL does not have any written risk management policies and guidelines. However, the board of directors generally adopts conservative strategies on its risk management and limit ESL's exposure to these risks to a minimum.

Credit risk

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings.

ESL's credit risk is primarily attributable to its trade receivables. ESL's maximum exposure to credit risk in the event of counterparties failure to perform their obligations as at 31 December 2006, 2007 and 2008 in relation to each class of recognised financial assets is the carrying amounts of these assets as stated in the balance sheet. The management, based on prior experience and assessment of the current economic environment reviews the recoverable amount of each individual balance at the balance sheet date to ensure that adequate impairment loss is made for irrecoverable amounts. In this regard, the directors of ESL consider that ESL's credit risk is significantly reduced.

Capital management

The objectives of ESL's capital management are to safeguard the entity's ability to continue as a going concern and to provide returns for shareholders. ESL manages its capital structure and makes adjustments, including payment of dividend to shareholders, return capital to shareholders or issue new shares or sell assets to reduce debts. No changes were made in the objectives, policies or processes during the years ended 31 December 2006, 2007 and 2008.

7. Total value of transactions

Total value of transactions arising out of the business of dealing in securities other than the underwriting of securities undertaken by ESL on The Stock Exchange of Hong Kong Limited is as follows:–

	Year ended 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Own Account	20,486	–	–
Clients' Account	12,161,993	49,801,283	20,833,442
	12,182,479	49,801,283	20,833,442

8. Turnover

The principal activities of ESL are securities brokerage and margin financing.

Turnover represents the commission and brokerage of securities dealing on The Stock Exchange of Hong Kong Limited.

	Year ended 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Commission and brokerage	14,674	12,798	5,763

9. Profit before taxation

Profit before taxation is arrived at after charging/(crediting):–

	Year ended 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Finance costs			
Interest expenses – client	295	91	4
Loan interest	170	36	–
	465	127	4
Staff costs			
Salaries, wages and other benefits	11	74	67
Other items			
Auditors' remuneration	35	35	35
Commission expenses	7,143	3,218	1,196
Management fee	2,636	2,669	–
Bad debts	7	–	1,058
Depreciation on property, plant and equipment	153	349	349
Operating lease rental – office premises	1,504	2,312	–
Interest income	(2,314)	(3,574)	(3,187)

10. Directors' and employees' emoluments

No other emoluments were paid or payable to any of the directors of ESL for the Relevant Periods.

During the Relevant Periods, no emoluments were paid by the Company to any of the directors and employees as an inducement to join or upon joining the Company or as compensation for loss of office. None of the directors waived any emoluments during the Relevant Periods.

11. Taxation

Hong Kong Profits Tax has been provided at the rate of 17.5% (2008: 16.5%) on ESL's estimated assessable profits arising from Hong Kong during the year.

Tax charged represents:

	Year ended 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Hong Kong profits tax			
– current year	352	1,198	1,029
– overprovision in prior year	–	–	(25)
	352	1,198	1,004
Deferred tax			
– Current period	(181)	(39)	–
	171	1,159	1,004

The taxation for the Relevant Period can be reconciled to the profit before taxation as follows:

	Year ended 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Profit before taxation	2,643	6,834	5,286
Income tax at applicable rate of 17.5%/16.5%	462	1,196	872
Tax effect of temporary differences	(158)	1	51
Tax effect of non-deductible expenditure	–	–	173
Tax effect on non-taxable revenue	(133)	(38)	(67)
Overprovision in prior year	–	–	(25)
Tax expense for the year	171	1,159	1,004

12 Property, plant and equipment

	Leasehold Improvement	Computer equipment	Office equipment	Furniture and fixtures	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Costs:					
At 1 January 2006 and 31 December 2006	–	815	583	419	1,817
Additions	586	–	–	–	586
Scrapped	–	–	–	(102)	(102)
At 31 December 2007 and 31 December 2008	586	815	583	317	2,301
Accumulated depreciation and impairment losses:					
At 1 January 2006	–	475	383	419	1,277
Charge for the year	–	113	40	–	153
At 31 December 2006	–	588	423	419	1,430
Charge for the year	196	113	40	–	349
Written off	–	–	–	(102)	(102)
At 31 December 2007	196	701	463	317	1,677
Charge for the year	195	114	40	–	349
At 31 December 2008	391	815	503	317	2,026
Net carry values:					
At 31 December 2006	–	227	160	–	387
At 31 December 2007	390	114	120	–	624
At 31 December 2008	195	–	80	–	275

13. Stock Exchange trading right

	HK$'000
Costs:	
At 1 January 2006 and 31 December 2006, 2007 and 2008	1,050
Accumulated amortisation and impairment losses:	
At 1 January 2006 and 31 December 2006, 2007 and 2008	170
Net carry values:	
At 31 December 2006	880
At 31 December 2007	880
At 31 December 2008	880

14. Amounts receivable arising from the ordinary course of business of dealing in securities

	As at 31 December		
	2006	2007	2008
	HK$'000	HK$'000	HK$'000
Clearing Houses	–	10,811	163
Clients – Cash accounts	3,998	3,398	817
Clients – Margin accounts	26,159	34,835	29,204
	30,157	49,044	30,184

15. Cash and bank balances

	As at 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
General accounts	12,153	2,768	3,759
Trust accounts	8,991	95,955	7,123
	21,144	98,723	10,882

16. Income tax in the balance sheet

Current taxation in the balance sheet represents:

	As at 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Provision for Hong Kong Profits Tax for the year	352	1,198	1,004
Provision Profits Tax paid	(132)	(212)	(1,952)
	220	986	(948)
Balance of Profits Tax provision related to prior years	(359)	(139)	847
(Prepaid taxation)/Tax payable	(139)	847	(101)

Deferred tax liabilities recognized:

	As at 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Balance brought forward	220	39	–
Charge for the year	(181)	(39)	–
Balance carried forward	39	–	–

17. Amounts payable arising from the ordinary course of business of dealing in securities

	As at 31 December		
	2006	**2007**	**2008**
	(audited)	**(audited)**	**(audited)**
	HK$'000	*HK$'000*	*HK$'000*
Clearing Houses	7,706	–	–
Clients – Cash accounts	5,303	99,189	1,305
Clients – Margin accounts	9,146	10,619	2,590
Others	–	–	3
	22,155	109,808	3,898

18. Amount due to a related company

The amount due was unsecured, interest free and had no fixed term of repayment.

19. Share capital

	As at 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Authorised:–			
100,000,000 ordinary shares of HK$1 each	100,000	100,000	100,000
Issued and fully paid:–			
20,000,000 ordinary shares of HK$1 each	20,000	20,000	20,000

20. Related party transactions

	As at 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Sun Hung Kai Securities Limited*			
Loan interest	170	36	–
Management fee	2,636	2,669	–

* *Sun Hung Kai Securities Limited is the ultimate holding company. However, Sun Hung Kai Securities Limited disposed all its ordinary shares on 28 December 2007.*

21. Commitments under operating leases

At the balance sheet date, ESL had the total of future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	As at 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Land and buildings			
Within one year	–	1,771	1,787
In the second to fifth years inclusive	–	2,978	1,414
At the balance sheet date	–	4,749	3,201

22. Ultimate holding company

As at 31 December 2008, the directors consider the immediate holding company to be Pioneer (China) Limited, a company incorporated in Hong Kong and the ultimate holding company to be Kademan Limited, a company incorporated in British Virgin Islands.

23. Subsequent event

On 27 February 2008, Fortune Financial (Holdings) Limited (a wholly-owned subsidiary of China Fortune Group Limited, formerly known as Yew Sang Hong Investment Services Limited) (the "Purchaser") entered into a conditional sale and purchase agreement (the "ESL Agreement") whereby Mr. Lao Chio Kuan ("Mr. Lao") agreed to sell or procure the sale to the Purchaser and the Purchaser agreed to purchase 51% of the issued share capital of Excalibur Securities at HK$20 million.

The consideration has been settled by way of China Fortune Group Limited issuing, upon completion of the ESL Agreement, the Consideration Convertible Bonds for a principal amount of HK$20 million to Mr. Lao. The ESL Agreement has been approved by the shareholders at the extraordinary general meeting of the Company held on 18 July 2008. All conditions of the ESL Agreement have been fulfilled and completion of the ESL Agreement took place on 17 February 2009.

Excalibur Securities has become a non-wholly owned subsidiary of China Fortune Group Limited upon completion of the ESL Agreement.

On 6 March 2009, Fortune Financial (Holdings) Limited ("Purchaser") has entered into the legally binding Memorandum with Pioneer, under which, the Purchaser agrees to purchase and Pioneer agrees to sell the remaining 49% of the issued share capital of Excalibur Securities. The Purchaser is a company incorporated in the British Virgin Islands and is a wholly-owned subsidiary of China Fortune Group Limited. Pursuant to the S&P agreement, the Purchaser wishes to purchase and Pioneer wishes to sell the remaining 49% of the issued capital of Excalibur Securities Limited (the "ESL Acquisition"). The consideration of the ESL Acquisition of HK$19.2 million shall be satisfied by the Purchaser in the following manner:

(a) a refundable deposit in the sum of HK$10 million shall been paid by the Purchaser to the ESL Vendor within one month after the execution of the ESL Agreement; and

(b) the consideration of HK$19.2 million shall be satisfied by the Purchaser by procuring the Company to issue the ESL Convertible Bonds upon ESL Completion, at which point the deposit shall be refunded and returned in its entirety to the Purchaser.

B. DISTRIBUTABLE RESERVES

Reserve attributable to equity owners of ESL

The reserve attributable to equity owners of ESL is dealt with in the financial statements of ESL to the extent of HK$4,375,000, HK$10,050,000 and HK$14,332,000 for the years ended 31 December 2006, 2007 and 2008 respectively.

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by ESL in respect of any period subsequent to 31 December 2008.

Yours faithfully,
K. H. Chan & Co.
Certified Public Accountants (Practising)
Hong Kong

MANAGEMENT DISCUSSION AND ANALYSIS OF EXCALIBUR SECURITIES LIMITED

Financial summary

Set out below is the management discussion and analysis on Excalibur Securities for the three years ended 31 December 2006, 31 December 2007 and 31 December 2008.

	Year ended 31 December 2008	**Year ended 31 December 2007**	**Year ended 31 December 2006**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	9,597	17,609	17,875
Profit for the year	4,282	5,675	2,472

The principal business of Excalibur Securities are securities brokerage and margin financing.

Amount due to an ultimate holding company

As at 31 December 2008, there was no amount due to an ultimate holding company.

As at 31 December 2007, there was no amount due to an ultimate holding company.

As at 31 December 2006, there was no amount due to an ultimate holding company.

Liquidity, financial resources and gearing

Net Assets/Liabilities

Set out below is a summary of the audited accountants' report of Excalibur Securities as at 31 December 2006, 31 December 2007 and 31 December 2008 which was prepared on the bases as set out in Appendix IIB this circular.

	As at 31 December 2008 HK$'000	As at 31 December 2007 HK$'000	As at 31 December 2006 HK$'000
Total assets	43,479	150,407	53,226
Total liabilities	9,147	120,357	28,851
Net assets	34,332	30,050	24,375
Amount due to a related company	4,500	9,022	5,959
*Gearing ratio	0%	0%	0%

* *The gearing ratio is defined as total debts over total assets.*

Cash & Bank Balances

As at 31 December 2006, 31 December 2007 and 31 December 2008, Excalibur Securities aggregate cash and bank balances amounted to approximately HK$21,144,000, HK$98,723,000 and HK$10,882,000 respectively, representing approximately 41.1%, 66.5% and 26.0% of total current assets respectively.

Borrowings

As at 31 December 2006, 31 December 2007 and 31 December 2008, there was no other borrowing from bank or financial institution during the period.

Significant investments held

As at 31 December 2006, 31 December 2007 and 31 December 2008, Excalibur Securities did not hold any significant investments during the period.

Acquisition and disposals

Excalibur Securities had not made any acquisition or disposal during the periods under review.

Segmental information

No business segment analysis and geographical segment analysis was presented since substantially all the turnover and contribution to results were derived from the commission and brokerage of securities dealing on The Stock Exchange of Hong Kong Limited.

Foreign Exchange Management

Excalibur Securities does not hedge its foreign currency risk, as the management does not expect any significant movements in exchange rate between, U.S. dollars, Hong Kong dollars and Renminbi. During the relevant periods under review, as the impact of foreign exchange exposure has been insignificant, no hedging or other alternatives have been implemented.

Contingent Liabilities

As at 31 December 2006, 31 December 2007 and 31 December 2008, Excalibur Securities did not have any contingent liabilities.

Pledge of Assets

As at 31 December 2006, 31 December 2007 and 31 December 2008, Excalibur Securities had no interest-bearing borrowings and no assets were pledged.

Prospects and material investments

Excalibur Securities has no future plan for material investments or in capital assets. It is the intention of Excalibur Securities to continue with the securities trading business. Given the financial performance have been improving in the past few years except for the second half of year 2008, Excalibur Securities is looking forward to further improve its financial results in the coming years. With its internally generated resources, Excalibur Securities will continue to develop the securities brokerage and margin financing business with the aim to broaden its client base including customers from the PRC who would like to invest in the stock market in Hong Kong. Excalibur Securities has also become more active in acting as underwriter and placing agent to fund raising activities of its listed clients.

The following is the text of a report, prepared for the purpose of inclusion in this circular, received from EFL's reporting accountants, K. H. Chan & Company, Certified Public Accountants (Practising), Hong Kong.

K. H. Chan & Company
Certified Public Accountants (Practising)
陳健衡會計師事務所

Room 2301
Ginza Square
565-567 Nathan Road
Kowloon, Hong Kong

8 May 2009

The Directors
China Fortune Group Limited
13/F., Sunning Plaza
10 Hysan Avenue
Causeway Bay
Hong Kong

Dear Sirs,

We set out below our report on the financial information regarding Excalibur Futures Limited（駿溢期貨有限公司）("EFL") including the balance sheets of EFL as at 31 December 2006, 2007 and 2008, and the related income statements, statements of changes in equity and statements of cash flows of EFL for each of the years ended 31 December 2006, 2007 and 2008 (the "Relevant Periods") and the summary of significant accounting policies and other explanatory notes thereto (collectively the "Financial Information"), for inclusion in a Circular dated 8 May 2009 (the "Circular") issued by China Fortune Group Limited (the "Company") in connection with its proposed investment of the remaining 49% interest in EFL. The Financial Information has been prepared on a basis consistent with the accounting policies adopted by the Company.

EFL was incorporated in Hong Kong on 18 November 1993 and is engaged principally as commodity dealer for Hang Seng Index Futures and Hang Seng Index Options in the Futures Exchange. As at 31 December 2008, the directors of EFL consider the immediate holding company to be Pioneer (China) Limited, a company incorporated in Hong Kong and the ultimate holding company to be Kademan Limited, a company incorporated in British Virgin Islands.

We have acted as auditors of EFL throughout the Relevant Periods covered by this report.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL INFORMATION

The directors of EFL during the Relevant Periods, are responsible for preparing the respective financial statements which give a true and fair view of the financial condition and results of operations of EFL, in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and 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. In addition, the directors of EFL also have a responsibility to ensure that the financial statements are in accordance with the records kept under the Securities and Futures (Keeping of Records) Rules and satisfy the requirements of the Securities and Futures (Accounts and Audit) Rules. The directors of EFL are responsible for the contents of the Circular in which this report is included.

REPORTING ACCOUNTANTS' RESPONSIBILITIES

For the Financial Information for each of the years ended 31 December 2006, 2007 and 2008, it is our responsibility to express an independent opinion, based on our examination, on the Financial Information and to report our opinion solely to you, for no other purpose.

BASIS OF OPINION AND REVIEW WORK PERFORMED

As a basis for forming an opinion on the Financial Information of EFL, for the purpose of this report, we have carried out appropriate audit procedures in respect of the Financial Information for the Relevant Periods in accordance with Hong Kong Standards on Auditing and with reference to Practice Note 820 "The audit of licensed corporations and associated entities of intermediaries" Issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have carried out such procedures as we considered necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

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

We planned and performed 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 Financial Information is free from material misstatement. In forming our opinion, we also evaluated the overall adequacy of the preparation of the Financial Information. We believe that our audit provides a reasonable basis for our opinion.

OPINION AND REVIEW CONCLUSION

In our opinion, for the purpose of this report, all adjustments considered necessary have been made and the Financial Information gives a true and fair view of the state of affairs of EFL as at 31 December 2006, 2007 and 2008 and of its combined results and cash flows for the years then ended.

A. FINANCIAL INFORMATION

COMBINED INCOME STATEMENTS

		Year ended 31 December		
		2006	**2007**	**2008**
	Note	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	*7*	8,193	14,010	22,157
Other income		7,535	6,820	2,992
		15,728	20,830	25,149
Administrative expenses		(11,930)	(17,887)	(20,237)
Other operating expenses		(634)	(1,103)	(1,064)
Profit from operations		3,164	1,840	3,848
Finance costs		(155)	–	(20)
Profit before taxation	*8*	3,009	1,840	3,828
Taxation	*10*	–	–	(512)
Profit for the year		3,009	1,840	3,316

COMBINED BALANCE SHEETS

		As at 31 December		
		2006	**2007**	**2008**
	Note	*HK$'000*	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS				
Property, plant and equipment	*11*	1,555	1,429	1,383
Restatement cost	*12*	10	–	–
Stock exchange trading right	*13*	480	480	480
Deposit with HKFE Clearing Corporation Limited		1,500	1,500	1,500
		3,545	3,409	3,363
CURRENT ASSETS				
Deposit with HKFE Clearing Corporation Limited		414	–	–
Amount due from a related company	*14*	5,959	9,022	4,500
Amounts receivable arising from the ordinary course of business of trading in futures contracts and options		3,330	2,838	4,410
Other receivables		1,532	–	10,118
Deposits and prepayments		621	600	666
Cash and bank balances	*15*	23,894	41,761	40,572
Prepaid taxation	*16*	–	317	–
		35,750	54,538	60,266

	Note	As at 31 December 2006 HK$'000	2007 HK$'000	2008 HK$'000
CURRENT LIABILITIES				
Tax payable	16	–	–	512
Amount due to an ultimate holding company	17	477	–	–
Amounts payable arising from the ordinary course of business of trading in futures contracts and options		14,457	33,036	34,829
Accounts payable and accruals		739	747	808
Other payables		1,216	–	–
Provision for restatement cost		82	–	–
		16,971	33,783	36,149
NET CURRENT ASSETS		18,779	20,755	24,117
NET ASSETS		22,324	24,164	27,480
CAPITAL AND RESERVES				
Share capital	18	20,000	20,000	20,000
Reserves		2,324	4,164	7,480
		22,324	24,164	27,480

STATEMENTS OF CHANGES IN EQUITY

	Share capital	(Accumulated losses)/ Retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2006	20,000	(685)	19,315
Profit for the year	–	3,009	3,009
At 31 December 2006	20,000	2,324	22,324
Profit for the year	–	1,840	1,840
At 31 December 2007	20,000	4,164	24,164
Profit for the year	–	3,316	3,316
At 31 December 2008	20,000	7,480	27,480

COMBINED CASH FLOW STATEMENTS

	Year ended 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
OPERATING ACTIVITIES			
Profit before taxation	3,009	1,840	3,828
Adjustments for			
Interest income	(477)	(322)	(44)
Loan interest	155	–	20
Depreciation on property, plant and equipment	593	881	1,064
Loss on scrap property, plant and equipment	–	212	–
Amortisation of restatement cost	41	10	–
Reversal of provision for restatement cost	–	(82)	–
Operating profit before changes in working capital	3,321	2,539	4,868
Decrease in deposit with HKFE Clearing Corporation Limited	44	414	–
(Increase)/decrease in amount due from a related company	(5,959)	(3,063)	4,522
(Increase)/decrease in amounts receivable arising from the ordinary course of business of trading in futures contracts and options	(266)	492	(1,572)
(Increase)/decrease in other receivables	(1,532)	1,532	(10,118)
(Increase)/decrease in deposits and prepayments	(6)	21	(66)
Decrease in amount due to a related company	(107)	–	–
Decrease in amount due to an ultimate holding company	(420)	(477)	–
Increase in amounts payable arising from the ordinary course of business of trading in futures contracts and options	216	18,579	1,793
Increase in accounts payable and accruals	39	8	61
Increase/(decrease) in other payables	1,216	(1,216)	–
Cash (used in)/generated from operations	(3,454)	18,829	(512)
Tax paid			
Hong Kong profits tax refunded/(paid)	2	(317)	317
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES	(3,452)	18,512	(195)

	Year ended 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
INVESTING ACTIVITIES			
Interest income	477	322	44
Loan interest	(155)	–	(20)
Payment for the purchase of property, plant and equipment	(368)	(967)	(1,018)
NET CASH USED IN INVESTING ACTIVITIES	(46)	(645)	(994)
FINANCING ACTIVITY			
Repayment of subordinated loan	(10,000)	–	–
NET CASH USED IN FINANCING ACTIVITY	(10,000)	–	–
NET CASH (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(13,498)	17,867	(1,189)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	37,392	23,894	41,761
CASH AND CASH EQUIVALENTS AT THE END OF YEAR, REPRESENTED BY BANK BALANCES AND CASH	23,894	41,761	40,572

NOTES TO THE FINANCIAL INFORMATION

1. General information

EFL was incorporated in Hong Kong on 18 November 1993 under the Companies Ordinance. The registered office and principal place of business is located at Room 2512, Cosco Tower, 183 Queen's Road Central, Sheung Wan, Hong Kong. The ultimate holding company of EFL is Sun Hung Kai Securities Limited, a company incorporated in Hong Kong. However, Sun Hung Kai Securities Limited disposed all its ordinary shares on 28 December 2007. As at 31 December 2008, the directors of EFL consider the immediate holding company to be Pioneer (China) Limited, a company incorporated in Hong Kong and the ultimate holding company to be Kademan Limited, a company incorporated in British Virgin Islands.

EFL is engaged principally as commodity for Hang Seng Index Futures and Hang Seng Index Options in the Futures Exchange. There were no significant changes in the nature of EFL's principal activities during the Relevant Periods.

The Financial Information is presented in Hong Kong Dollars which is the functional currency of EFL.

2. Basis of preparation of Financial Information

The Financial Information has been prepared on the historical cost basis and in accordance with Hong Kong Financial Reporting Standards (HKFRSs), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs), and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. In addition, the Financial Information has been prepared in accordance with the records kept under the Securities and Futures (Keeping of Records) Rules and satisfy the requirements of the Securities and Futures (Accounts and Audit) Rules.

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

The HKICPA has issued certain new and revised HKFRSs that are effective for accounting periods beginning on or after either 1 January 2006, 1 January 2007 or 1 January 2008. For the purposes of preparing and presenting the Financial Information for the Relevant Periods, EFL has consistently adopted all the new HKFRSs.

EFL has not yet early adopted the following new standards, interpretations or amendments that have been issued but are not yet effective for EFL's financial year beginning on 1 January 2008. The directors of EFL anticipate that the application of these standards, interpretations or amendments will have no material impact on the results of operations and financial position of EFL.

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKAS 39 (Amendment)	Eligible hedged items[3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 8	Operating Segments[2]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[4]
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate[2]
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation[5]
HK(IFRIC)-Int 17	Distribution of Non-cash Assets to Owners[3]

[1] *Effective for annual periods beginning on or after 1 January 2009 except for the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009*

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

[3] *Effective for annual periods beginning on or after 1 July 2009*

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

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

4. Significant accounting policies

Basis of preparation of the Financial Information

The measurement basis used in the preparation of the Financial Information is historical cost.

Revenue recognition

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

Brokerage and commission income recognized in the financial statements represents brokerage income accrued on all broking transactions traded during the Relevant Periods; and

Interest income is recognized on a time proportion basis taking into account the principal outstanding and the effective rate of interest applicable.

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 recognised directly to equity.

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

Deferred tax assets and liabilities arise from temporary differences at balance sheet date between the carrying amounts of assets and liabilities for financial reporting purposes and the tax bases respectively. Deferred tax assets also arise from unused tax losses and unused tax credits.

All deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised except for the initial recognition of assets or liabilities that affect neither accounting nor taxable profit.

The amount of deferred tax provided is based on the expected manner of realisation or the settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

– in the case of current tax assets and liabilities, EFL intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on the same taxable entity.

Stock Exchange Trading Right

The eligibility right to trade on or through The Stock Exchange of Hong Kong Limited is stated in the balance sheet at cost less impairment losses.

Translation of foreign currencies

Items included in EFL's financial statements are measured using the currency of the primary economic environment in which EFL operates ("functional currency").

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. Expenditure incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance and overhaul costs, is 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 the property, plant and equipment, the expenditure is capitalized as an additional cost of the property, plant and equipment.

When assets are sold or retired, their costs, accumulated depreciation and accumulated impairment loss are eliminated from the balance sheet and any gain or loss resulting from their disposal or retirement is included in the income statement.

Depreciation on property, plant and equipment is provided to write off the costs over their estimated useful lives as follows:–

Leasehold improvement	33-1/3% (over the lease term)
Computer equipment	33-1/3% on straight-line method
Office equipment	20% on straight-line method
Furniture and fixtures	20% on straight-line method

A monthly charge for depreciation is made in the month of purchase, while no charge is made in the year of disposal or retirement.

Impairment of non-financial assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment (other than properties carried at revalued amounts); and

– intangible assets

If any such indication exists, the asset's recoverable amount is estimated. In addition, for intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash flows independently.

– *Recognition of impairment losses*

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then, to reduce the carrying amount of the other assets in the unit on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– *Reversals of impairments losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

Provisions

Provisions are recognised when EFL 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 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 EFL expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of EFL's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

Employee benefits

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

Contributions to Mandatory Provident Funds are required under the Hong Kong Mandatory Provident Fund Schemes Ordinance, are recognised as an expense in the income statement as incurred, except to the extent that they are included in the cost of intangible assets and inventories not yet recognised as an expense.

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.

As lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of EFL's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on EFL's net investment outstanding in respect of the leases.

As lessee

Assets held under finance leases are recognised as assets of EFL at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as finance lease obligation. Finance charges, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

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

Lease incentives are recognised in the income statement as an integral part of the net consideration agreed for the use of the leased asset. Contingent rentals are recognised as expenses in the accounting period in which they are incurred.

Related parties

A party is related to EFL if:

(i) directly, or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, EFL; or has an interest in EFL that gives it significant influence over EFL; or has joint control over EFL;

(ii) the party is an associate of EFL;

(iii) the party is a joint venture in which EFL is a venturer;

(iv) the party is a member of the key management personnel of EFL or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) 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 (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of employees of EFL, or of any entity that is a related party of EFL.

Financial instruments

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

Loans and receivables

Loans and receivables including 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 year to maturity. Gains and losses arising from derecognition, impairment or through the amortisation process are recognised in the income statement.

Impairment of financial assets

At each balance sheet date, EFL 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.

Financial liabilities

EFL's financial liabilities include trade and other payables, bank loans and other borrowings and obligations under finance leases. 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.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer of the contract to make specified payments to reimburse the holder of the contract for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee contract is initially recognised as deferred income within trade and other payable at fair value, where such information is available, otherwise, it is recognised at consideration received and receivable. Subsequently, it is measured at the higher of the amount initially recognised, less accumulated amortisation, and the amount of the provision, if any, that is required to settle the commitment at the balance sheet date.

Restatement cost

Restatement cost acquired by EFL is stated in the balance sheet at cost less accumulated amortisation. Amortisation of restatement cost is charged to profit or loss on a straight-line basis over the operating lease.

5. Critical accounting judgements and key sources of estimation uncertainty

In the application of EFL's accounting policies which are described in note 4, the directors of EFL are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The following are 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.

Depreciation and amortisation

EFL's net carrying value of property, plant and equipment as at 31 December 2006, 2007 and 2008 were approximately HK$1,555,000, HK$1,429,000 and HK$1,383,000 respectively. EFL depreciates the property, plant and equipment on a straight-line basis over the estimated useful life, and after taking into account of their estimated residual value, at the rate of 20% to 33-$^{1}/_{3}$% per annum, commencing from the date the asset is placed into productive use. The estimated useful life and dates that EFL places the equipment into productive use reflects the directors' estimate of the periods that EFL intend to derive future economic benefits from the use of EFL's property, plant and equipment.

Allowances for bad and doubtful debts

The policy for allowance of bad and doubtful debts of EFL is based on the evaluation of collectability and aging analysis of accounts and on management's judgement. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of debtor of EFL were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

6. Financial risk management objectives and policies

EFL's principal financial instruments comprise of cash and bank balances. The main purpose of these financial instruments is to raise and maintain finance for EFL's operations. EFL has various other financial instruments such as trade receivables and trade payables, which arise directly from its business activities.

The main risks arising from EFL's financial instruments are credit risk. EFL does not have any written risk management policies and guidelines. However, the board of directors generally adopts conservative strategies on its risk management and limit EFL's exposure to these risks to a minimum.

Credit risk

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings.

EFL's credit risk is primarily attributable to its trade receivables. EFL's maximum exposure to credit risk in the event of counterparties failure to perform their obligations as at 31 December 2006, 2007 and 2008 in relation to each class of recognised financial assets is the carrying amounts of these assets as stated in the balance sheet. The management, based on prior experience and assessment of the current economic environment reviews the recoverable amount of each individual balance at the balance sheet date to ensure that adequate impairment loss is made for irrecoverable amounts. In this regard, the directors of EFL consider that EFL's credit risk is significantly reduced.

Capital management

The objectives of EFL's capital management are to safeguard the entity's ability to continue as a going concern and to provide returns for shareholders. EFL manages its capital structure and makes adjustments, including payment of dividend to shareholders, return capital to shareholders or issue new shares or sell assets to reduce debts. No changes were made in the objectives, policies or processes during the years ended 31 December 2006, 2007 and 2008.

7. Turnover

EFL is engaged principally as commodity dealer for Hang Seng Index Futures and Hang Seng Index Options in the Futures Exchange.

Turnover represents the commission and brokerage of securities dealing on The Stock Exchange of Hong Kong Limited.

	Year ended 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Commission and brokerage	8,193	14,010	22,157

8. Profit before taxation

Profit before taxation is arrived at after charging/(crediting):–

	Year ended 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Finance costs			
Loan interest	155	–	20
Staff costs			
Contributions to defined contribution plan	–	–	231
Salaries, wages and other benefits	743	884	5,640
	743	884	5,871
Other items			
Auditors' remuneration	33	33	63
Commission expenses	1,492	3,431	6,084
Management fee	2,634	2,669	–
Depreciation on property, plant and equipment	593	881	1,064
Loss on scrap of property, plant and equipment	–	212	–
Operating lease rental – office premises	1,504	1,749	2,257
Interest income	(477)	(322)	(44)
Sundry income	(4,115)	(1,782)	(796)

9. Directors' and employees' emoluments

EFL has paid the directors of EFL other emoluments amounted to HK$720,000 during the year ended 31 December 2007. No other emoluments were paid or payable to any of the directors of EFL for the year ended 31 December 2006 and 2008.

During the Relevant Periods, no emoluments were paid by the Company to any of the directors and employees as an inducement to join or upon joining the Company or as compensation for loss of office. None of the directors waived any emoluments during the Relevant Periods.

10. Taxation

Hong Kong Profits Tax has been provided at the rate of 17.5% (2008: 16.5%) on EFL's estimated assessable profits arising from Hong Kong during the year.

Tax charged represents:

	Year ended 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Current tax			
– Hong Kong Profits Tax	–	–	512

The taxation for the Relevant Period can be reconciled to the profit before taxation as follows:

	Year ended 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Profit before taxation	3,009	1,840	3,828
Income tax at applicable rate of 17.5%/16.5%	526	322	631
Tax effect of temporary differences	5	(199)	22
Tax effect on non-taxable revenue	(57)	(41)	(5)
Tax effect of non-deductible expenditure	70	–	–
Tax effect of unused tax losses recognized	(544)	(82)	(136)
Tax expense for the year	–	–	512

Deferred tax

At the balance sheet date, the major components of the deferred taxation (assets)/liabilities unprovided are as follow:

	Year ended 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Depreciation allowance in excess of related depreciation	(117)	(220)	55
Tax losses	(227)	(145)	–
	(344)	(365)	55

11. Property, plant and equipment

	Leasehold improvement *HK$'000*	Computer equipment *HK$'000*	Office equipment *HK$'000*	Furniture and fixtures *HK$'000*	Total *HK$'000*
Costs:					
At 1 January 2006	–	2,140	1,834	1,285	5,259
Additions	–	366	2	–	368
At 31 December 2006	–	2,506	1,836	1,285	5,627
Additions	587	380	–	–	967
Scrapped	–	–	(791)	(1,285)	(2,076)
At 31 December 2007	587	2,886	1,045	–	4,518
Additions	128	666	217	7	1,018
At 31 December 2008	715	3,552	1,262	7	5,536
Accumulated deprecation and impairment losses:					
At 1 January 2006	–	717	1,826	936	3,479
Charge for the year	–	521	2	70	593
At 31 December 2006	–	1,238	1,828	1,006	4,072
Charge for the year	196	614	2	69	881
Written off	–	–	(789)	(1,075)	(1,864)
At 31 December 2007	196	1,852	1,041	–	3,089
Charge for the year	238	819	7	–	1,064
At 31 December 2008	434	2,671	1,048	–	4,153
Net carry values:					
At 31 December 2006	–	1,268	8	279	1,555
At 31 December 2007	391	1,034	4	–	1,429
At 31 December 2008	281	881	214	7	1,383

12. Restatement cost

	HK$'000
Costs:	
At 1 January 2006 and 31 December 2006	82
Written off	(82)
At 31 December 2007 and 31 December 2008	–
Accumulated amortisation and impairment losses:	
At 1 January 2006	31
Charge for the year	41
At 31 December 2006	72
Impairment loss	10
Written off	(82)
At 31 December 2007 and 31 December 2008	–
Net carry values:	
At 31 December 2006	10
At 31 December 2007	–
At 31 December 2008	–

The cost comprises the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that year.

13. Stock exchange trading right

	HK$'000
Costs:	
At 1 January 2006 and 31 December 2006, 2007 and 2008	550
Accumulated amortisation and impairment losses:	
At 1 January 2006 and 31 December 2006, 2007 and 2008	70
Net carry values:	
At 31 December 2006	480
At 31 December 2007	480
At 31 December 2008	480

14. Amount due from a related company

The amount due was unsecured, interest free and had no fixed term of repayment.

15. Cash and bank balances

	As at 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
General accounts	12,758	11,386	9,659
Trust accounts	11,134	30,373	30,913
Cash	2	2	–
	23,894	41,761	40,572

16. Income tax in the balance sheet

Current taxation in the balance sheet represents:

	As at 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Provision for Hong Kong Profits Tax for the year	–	–	512
Provision Profits Tax refunded/(paid)	2	(317)	317
	2	(317)	829
Balance of Profits Tax provision related to prior years	(2)	–	(317)
(Prepaid taxation)/Tax payable	–	(317)	512

17. Amount due to an ultimate holding company

The amount due was unsecured, interest free and had no fixed term of repayment.

18. Share capital

	As at 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Authorised:–			
100,000,000 ordinary shares of HK$1 each	100,000	100,000	100,000
Issued and fully paid:–			
20,000,000 ordinary shares of HK$1 each	20,000	20,000	20,000

19. Related party transactions

	As at 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Sun Hung Kai Securities Limited*			
Loan interest	155	–	–
Management fee	2,634	2,669	–
Smart Day Capital Limited**			
Service charge	–	2,038	–
Chan Ying Leung***			
Service charge	–	500	–

* *Sun Hung Kai Securities Limited is the ultimate holding company. However, Sun Hung Kai Securities Limited disposed all its ordinary shares on 28 December 2007.*

** *Chan Yin Leung is the shareholder of EFL.*

*** *Director of EFL.*

20. Commitments under operating leases

At the balance sheet date, EFL had the total of future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	As at 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Land and buildings			
Within one year	1,220	63	2,130
In the second to fifth years inclusive	–	–	1,687
At the balance sheet date	1,220	63	3,817

21. Ultimate holding company

As at 31 December 2008, the directors consider the immediate holding company to be Pioneer (China) Limited, a company incorporated in Hong Kong and the ultimate holding company to be Kademan Limited, a company incorporated in British Virgin Islands.

22. Subsequent event

Fortune Financial (Holdings) Limited (a wholly-owned subsidiary of China Fortune Group Limited, formerly known as Yew Sang Hong Investment Services Limited) (the "Purchaser") has entered into a legally binding memorandum on 31 July 2008 and a formal agreement (the "EFL Agreement") on 19 September 2008 respectively, with Pioneer (China) Limited ("Pioneer"), under which, the Purchaser agreed to purchase and Pioneer agreed to sell 51% of the issued share capital of Excalibur Futures at a consideration of HK$10.2 million.

The consideration has been settled by the issue of promissory note by the Purchaser to Pioneer on the EFL Completion. The EFL Agreement has been approved by the shareholders at the extraordinary general meeting of the Company held on 3 November 2008. All conditions of the EFL Agreement have been fulfilled and EFL Completion took place on 17 February 2009.

Excalibur Futures has become a non-wholly owned subsidiary of China Fortune Group Limited upon completion of the EFL Agreement.

On 6 March 2009, Fortune Financial (Holdings) Limited ("Purchaser") has entered into the legally binding Memorandum with Pioneer, under which, the Purchaser agrees to purchase and Pioneer agrees to sell the remaining 49% of the issued share capital of Excalibur Futures. The Purchaser is a company incorporated in the British Virgin Islands and is a wholly-owned subsidiary of China Fortune Group Limited. Pursuant to the S&P agreement, the Purchaser wishes to purchase and Pioneer wishes to sell the remaining 49% of the issued capital of Excalibur Futures Limited (the "EFL Acquisition"). The consideration of the EFL Acquisition of HK$9.8 million shall be satisfied by the Purchaser in the following manner:

(a) a refundable deposit in the sum of HK$5 million has been paid by the Purchaser to the EFL Vendor upon the execution of the EFL Agreement; and

(b) the consideration of HK$9.8 million shall be satisfied by the Purchaser by procuring the Company to issue the EFL Convertible Bonds upon EFL Completion, at which point the deposit shall be refunded and returned in its entirety to the Purchaser.

B. DISTRIBUTABLE RESERVES

Reserve attributable to equity owners of EFL

The reserve attributable to equity owners of EFL is dealt with in the financial statements of EFL to the extent of HK$2,324,000, HK$4,164,000 and HK$7,480,000 for the years ended 31 December 2006, 2007 and 2008 respectively.

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by EFL in respect of any period subsequent to 31 December 2008.

Yours faithfully,
K. H. Chan & Co.
Certified Public Accountants (Practising)
Hong Kong

MANAGEMENT DISCUSSION AND ANALYSIS OF EXCALIBUR FUTURES LIMITED

Financial summary

Set out below is the management discussion and analysis on Excalibur Futures Limited for the year ended 31 December 2006, 31 December 2007 and 31 December 2008.

	For the year end 31 December 2008	For the year end 31 December 2007	For the year end 31 December 2006
	HK$'000	*HK$'000*	*HK$'000*
Revenue	25,149	20,830	15,728
Profit for the year	3,316	1,840	3,009

The principal business of Excalibur Futures are providing brokerage services for futures and options traded on the Futures Exchange, including Hang Seng Index Futures and Hang Seng Index Options.

Amount due to an ultimate holding company

As at 31 December 2007 and 31 December 2008, there was no amount due to an ultimate holding company.

As at 31 December 2006, the amount due to an ultimate holding company was unsecured, interest free and had no fixed term of repayment.

Liquidity, financial resources and gearing

Net Assets/Liabilities

Set out below is a summary of the audited accountants' report of Excalibur Futures Limited as at 31 December 2006, 31 December 2007 and 31 December 2008 which was prepared on the bases as set out in Appendix IIIB this circular.

	As at 31 December 2008	As at 31 December 2007	As at 31 December 2006
	HK$'000	*HK$'000*	*HK$'000*
Total assets	63,629	57,947	39,295
Total liabilities	36,149	33,783	16,971
Net assets	27,480	24,164	22,324
Amount due to an ultimate holding company	–	–	477
* Gearing ratio	0%	0%	0%

* *The gearing ratio is defined as total debts over total assets.*

Cash & Bank Balances

As at 31 December 2006, 31 December 2007 and 31 December 2008, the Company's aggregate cash and bank balances amounted to approximately HK$23,894,000, HK$41,761,000 and HK$40,572,000 respectively, representing approximately 66.8%, 76.6% and 67.3% of total current assets respectively.

Borrowings

As at 31 December 2006, 31 December 2007 and 31 December 2008, there was no other borrowing from bank or financial institution during the period.

SIGNIFICANT INVESTMENTS HELD

As at 31 December 2006, 31 December 2007 and 31 December 2008, Excalibur Futures did not hold any significant investments during the period.

ACQUISITION AND DISPOSALS

Excalibur Futures had not made any acquisition or disposal during the periods under review.

SEGMENTAL INFORMATION

No business segment analysis and geographical segment analysis was presented since substantially all the turnover and contribution to results were derived from the commission and brokerage of commodity dealing on The Hong Kong Futures Exchange Limited.

FOREIGN EXCHANGE MANAGEMENT

Excalibur Futures does not hedge its foreign currency risk, as the management does not expect any significant movements in exchange rate between, U.S. dollars, Hong Kong dollars and Renminbi. During the relevant periods under review, as the impact of foreign exchange exposure has been insignificant, no hedging or other alternatives have been implemented.

CONTINGENT LIABILITIES

As at 31 December 2006, 31 December 2007 and 31 December 2008, Excalibur Futures did not have any contingent liabilities.

PLEDGE OF ASSETS

As at 31 December 2006, 31 December 2007 and 31 December 2008, Excalibur Futures had no interest-bearing borrowings and no assets were pledged.

PROSPECTS AND MATERIAL INVESTMENTS

Excalibur Futures has no immediate plan for material investments or in capital assets but is looking for investment opportunities in the PRC market. It is the intention of Excalibur Futures to continue with the futures brokerage business. Given the positive financial results in the last few years, Excalibur Futures is aiming at stabilizing and looking forward to further improvement on its financial results in the coming years.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

Introduction to the Unaudited Pro Forma Financial Information of the Enlarged Group

The following is the unaudited pro forma financial statements of the Enlarged Group for the purpose of illustrating the effects of the proposed acquisitions of the remaining 49% equity interest in Excalibur Securities Limited ("ESL") for a consideration of HK$19.2 million (the "Proposed ESL Acquisition") and the remaining 49% equity interest in Excalibur Futures Limited ("EFL") for a consideration of HK$9.8 million (the "Proposed EFL Acquisition") (collectively the "Proposed Acquisitions").

The unaudited pro forma financial information of the Enlarged Group has been prepared as if the Proposed Acquisitions had been completed on 31 March 2008 for the unaudited pro forma consolidated balance sheet and at the beginning of the year ended 31 March 2008 for the unaudited pro forma consolidated income statement and unaudited pro forma consolidated cash flow statement. The Company will settle the consideration for the Proposed ESL Acquisition by way of issuing the ESL Convertible Bonds for a principal amount of HK$19.2 million to the ESL Vendor and settle the consideration for the Proposed EFL Acquisition by way of issuing the EFL Convertible Bonds for a principal amount of HK$9.8 million to the EFL Vendor.

As the unaudited pro forma financial information is prepared for illustrative purpose only, and because of its nature, it may not give a true picture of the financial position or results of operations of the Enlarged Group following the completion of the Proposed Acquisitions.

The unaudited pro forma financial information on the Enlarged Group has also been prepared to illustrate the effect of:

(i) the acquisition of a 51% of the equity interest in each of ESL and EFL;

(ii) placing of convertible bonds of a principal amount of HK$50 million with zero coupon due in three years from the date of issue and the repayment of the outstanding borrowings from Kingston Finance Limited;

(iii) the issue of remuneration shares and remuneration warrants (the "Remuneration Shares and Remuneration Warrants") as settlement of the professional fees charged by the financial adviser;

(iv) the placing of new shares; and

(v) the full conversion of the 200,000,000 convertible notes issued as consideration for the acquisition of a 51% equity interest in ESL into ordinary shares on the financial position of the Enlarged Group as at 31 March 2008 and the results and cash flows of the Enlarged Group for the year ended 31 March 2008.

Details of the above transactions (the "Other Transactions") are set out in the Company's circular dated 6 October 2008.

The unaudited pro forma consolidated balance sheet of the Enlarged Group has been prepared using accounting policies materially consistent with that of the Group and based upon the historical audited consolidated balance sheet of the Group as at 31 March 2008 as per the published annual report included in the financial information as set out in Appendix I of this Circular and the audited balance sheets of EFL and ESL as at 31 December 2008 as set out in Appendix II and III respectively of this Circular, after giving effect to the pro forma adjustments described in the accompanying notes, as if the Proposed Acquisitions and the Other Transactions had been completed on 31 March 2008.

The unaudited pro forma consolidated income statement and consolidated cash flow statement of the Enlarged Group have been prepared using accounting policies materially consistent with that of the Group and based upon the historical audited consolidated income statement and consolidated cash flow statement of the Group for the year ended 31 March 2008 as per the published annual report of the Group as set out in Appendix I and the audited income statements and cash flow statements of ESL and EFL for the year ended 31 December 2008 as set out in Appendix II and III respectively of this Circular, after giving effect to the pro forma adjustments described in the accompanying notes, as if the Proposed Acquisitions and the Other Transactions had been completed at the beginning of the year ended 31 March 2008.

The unaudited pro forma financial information of the Enlarged Group should be read in conjunction with the historical information of the Group as set out in the published annual report of the Company and other financial information included elsewhere in this Circular.

(I) Unaudited pro forma Consolidated Balance Sheet of the Enlarged Group

	Audited consolidated balance sheet of the Group as at 31 March 2008 HK$'000	Audited balance sheet of ESL as at 31 December 2008 HK$'000	Acquisition of 51% equity interest in ESL HK$'000	Notes	Unaudited pro forma consolidated balance sheet of the Enlarged Group (upon completion of the 51% acquisition of ESL alone) as at 31 March 2008 HK$'000	Audited balance sheet of EFL as at 31 December 2008 HK$'000	Acquisition of 51% equity interest in EFL HK$'000	Notes	Unaudited pro forma consolidated balance sheet of the Enlarged Group (upon completion of the 51% acquisitions of ESL and EFL alone) as at 31 March 2008 HK$'000	Placing of CB and repayment of borrowings HK$'000	Notes	Remuneration Shares and Remuneration Warrants HK$'000	Notes	Placing of New Shares HK$'000	Notes	Convertible bonds converted in full HK$'000	Notes	Unaudited pro forma consolidated balance sheet of the Enlarged Group (upon completion of the 51% acquisitions of ESL and EFL and "Other Transactions" alone) as at 31 March 2008 HK$'000	Acquisition of 49% equity interest in ESL HK$'000	Notes	Unaudited pro forma consolidated balance sheet of the Enlarged Group (upon completion of the acquisition of ESL, 51% acquisition of EFL and "Other Transactions" alone) as at 31 March 2008 HK$'000	Acquisition of 49% equity interest in EFL HK$'000	Notes	Unaudited pro forma consolidated balance sheet of the Enlarged Group as at 31 March 2008 HK$'000
Non-current assets																								
Property, plant and equipment	425	275			700	1,383			2,083									2,083			2,083			2,083
Intangible assets	–	880			880	480			1,360									1,360			1,360			1,360
Other non-current assets	240	532			772	1,500			2,272									2,272			2,272			2,272
Goodwill	–	–	4,591	1(iv)	4,591	–			4,591									4,591	7,847	1(iv)	12,438	940	1(v)	13,378
	665	1,687			6,943	3,363			10,306									10,306			18,153			19,093
Current assets																								
Investments held for trading	38,784	–			38,784	–			38,784									38,784			38,784			38,784
Accounts receivable	10,303	30,184			40,487	4,410			44,897									44,897			44,897			44,897
Progress payments receivable	1	–			1	–			1									1			1			1
Other receivables, deposits and prepayments	515	625			1,140	10,784			11,924									11,924			11,924			11,924
Retention money receivables	375	–			375	–			375									375			375			375
Amounts due from related companies	25	–			25	4,500	(4,500)	4	25									25			25			25
Amount due from a director	426	–			426	–			426									426			426			426
Prepaid income tax	–	101			101	–			101									101			101			101
Pledged bank deposits	2,196	–			2,196	–			2,196									2,196			2,196			2,196
Cash and cash equivalents – trust	11,140	3,759			14,899	31,213			46,112									46,112			46,112			46,112
Cash and cash equivalents – general	15,390	7,123			22,513	9,359			31,872	48,050	9			19,300	12			99,222			99,222			99,222
										(22,735)	9							(22,735)			(22,735)			(22,735)
	79,155	41,792			120,947	60,266			176,713									221,328			221,328			221,328

	Audited consolidated balance sheet of the Group as at 31 March 2008	Audited balance sheet of ESL as at 31 December 2008	Acquisition of 51% equity interest in ESL		Unaudited pro forma consolidated balance sheet of the Enlarged Group (upon completion of the 51% acquisition of ESL alone) as at 31 March 2008	Audited balance sheet of EFL as at 31 December 2008	Acquisition of 51% equity interest in EFL		Unaudited pro forma consolidated balance sheet of the Enlarged Group (upon completion of the 51% acquisitions of ESL and EFL alone) as at 31 March 2008	Placing of CB and repayment of borrowings		Remuneration Shares and Remuneration Warrants		Placing of New Shares		Convertible bonds converted in full		Unaudited pro forma consolidated balance sheet of the Enlarged Group (upon completion of the 51% acquisitions of ESL and EFL and "Other Transactions" alone) as at 31 March 2008	Acquisition of 49% equity interest in ESL		Unaudited pro forma consolidated balance sheet of the Enlarged Group (upon completion of the acquisition of ESL, 51% acquisition of EFL and "Other Transactions" alone) as at 31 March 2008	Acquisition of 49% equity interest in EFL		Unaudited pro forma consolidated balance sheet of the Enlarged Group as at 31 March 2008
	HK$'000	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*	*Notes*	*HK$'000*	*Notes*	*HK$'000*	*Notes*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
Current liabilities																								
Bank overdrafts (secured)	1,963	–			1,963	–			1,963									1,963			1,963			1,963
Other borrowings (unsecured)	29,735	–			29,735	–			29,735	(22,735)	*9*							7,000			7,000			7,000
Accounts payable, other payables and accrued charges	24,511	4,647	500	*5*	29,658	35,637	350	*5*	65,645									65,645	400	*5*	66,045	400	*5*	66,445
Retention money payables	958	–			958	–			958									958			958			958
Amount due to a related company	890	4,500			5,390	–	(4,500)	*4*	890									890			890			890
Obligations under finance leases	290	–			290	–			290									290			290			290
Taxation payable	258	–			258	512			770									770			770			770
	58,605	9,147			68,252	36,149			100,251									77,516			77,916			78,316
Net current assets	20,550	32,645			52,695	24,117			76,462									143,812			143,412			143,012
Total assets less current liabilities	21,215	34,332			59,638	27,480			86,768									154,118			161,565			162,105
Non-current liabilities																								
Obligations under finance leases	179	–			179	–			179									179			179			179
Convertible notes	–	–	14,208	*3*	14,208	–			14,208	34,128	*9*					(14,208)	*13*	34,128	13,294	*3*	47,422	6,785	*3*	54,207
Promissory note	–	–			–	–	8,119	*2*	8,119									8,119			8,119			8,119
	179	–			14,387	–			22,506									42,426			55,720			62,505
Net assets	21,036	34,332			45,251	27,480			64,262									111,692			105,845			99,600

	Audited consolidated balance sheet of the Group as at 31 March 2008	Audited balance sheet of ESL as at 31 December 2008	Acquisition of 51% equity interest in ESL		Unaudited pro forma consolidated balance sheet of the Enlarged Group (upon completion of the 51% acquisition of ESL alone) as at 31 March 2008	Audited balance sheet of EFL as at 31 December 2008	Acquisition of 51% equity interest in EFL		Unaudited pro forma consolidated balance sheet of the Enlarged Group (upon completion of the 51% acquisitions of ESL and EFL alone) as at 31 March 2008	Placing of CB and repayment of borrowings		Remuneration Shares and Remuneration Warrants		Placing of New Shares		Convertible bonds converted in full		Unaudited pro forma consolidated balance sheet of the Enlarged Group (upon completion of the 51% acquisitions of ESL and EFL and "Other Transactions" alone) as at 31 March 2008	Acquisition of 49% equity interest in ESL		Unaudited pro forma consolidated balance sheet of the Enlarged Group (upon completion of the acquisition of ESL, 51% acquisition of EFL and "Other Transactions" alone) as at 31 March 2008	Acquisition of 49% equity interest in EFL		Unaudited pro forma consolidated balance sheet of the Enlarged Group as at 31 March 2008
	HK$'000	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*	*Notes*	*HK$'000*	*Notes*	*HK$'000*	*Notes*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
Equity																								
Share capital	46,407	20,000	(20,000)	*1(vi)*	46,407	20,000	(20,000)	*1(vii)*	46,407			1,200	*11*	8,000	*12*	20,000	*13*	75,607			75,607			75,607
Reserves	(25,371)	14,332	(14,332)	*1(vi)*		7,480	(7,480)	*1(vii)*		13,922	*9*	(1,200)	*11*	11,300	*12*	(5,792)	*13*							
							5,546	*1(v)*																
			7,392	*3*	(17,979)				(12,433)									5,797	10,976	*3*	16,773	7,220	*3*	23,993
Total equity attributable to equity holders of the Company	21,036	34,332			28,428	27,480			33,974									81,404			92,380			99,600
Minority interests	–	–	16,823	*1(iv)*	16,823	–	13,465	*1(v)*	30,288									30,288	(16,823)	*1(viii)*	13,465	(13,465)	*1(viii)*	–
	21,036	34,332			45,251	27,480			64,262									111,692			105,845			99,600

(II) Unaudited pro forma Consolidated Income Statement of the Enlarged Group

	Audited consolidated income statement of the Group for the year ended 31 March 2008	Audited income statement of ESL for the year ended 31 December 2008	Acquisition of 51% equity interest in ESL	Notes	Unaudited pro forma consolidated income statement of the Enlarged Group (upon completion of the 51% acquisition of ESL alone) for the year ended 31 March 2008	Audited income statement of EFL for the year ended 31 December 2008	Acquisition of 51% equity interest in EFL	Notes	Unaudited pro forma consolidated income statement of the Enlarged Group (upon completion of the 51% acquisitions of ESL and EFL alone) for the year ended 31 March 2008	Placing of CB and repayment of borrowings	Notes	Remuneration Shares and Remuneration Warrants	Notes	Placing of New Shares	Notes	Convertible bonds converted in full	Notes	Unaudited pro forma consolidated income statement of the Enlarged Group (upon completion of the 51% acquisitions of ESL and EFL and "Other Transactions" alone) for the year ended 31 March 2008	Acquisition of 49% equity interest in ESL	Notes	Unaudited pro forma consolidated income statement of the Enlarged Group (upon completion of the acquisition of ESL, 51% acquisition of EFL and "Other Transactions" alone) as at 31 March 2008	Acquisition of 49% equity interest in EFL	Notes	Unaudited pro forma consolidated income statement of the Enlarged Group as at 31 March 2008
	HK$'000	*HK$'000*	*HK$'000*		*HK$'000*	*HK$'000*	*HK$'000*		*HK$'000*	*HK$'000*		*HK$'000*		*HK$'000*		*HK$'000*		*HK$'000*	*HK$'000*		*HK$'000*	*HK$'000*		*HK$'000*
Turnover	12,355	8,979			21,334	22,998			44,332									44,332			44,332			44,332
Cost of sales	(4,944)	(1,832)			(6,776)	(7,022)			(13,798)									(13,798)			(13,798)			(13,798)
Gross profit	7,411	7,147			14,558	15,976			30,534									30,534			30,534			30,534
Reversal of impairment loss on investment deposits	8,000	–			8,000	–			8,000									8,000			8,000			8,000
Reversal of provision for doubtful debts	699	–			699	–			699									699			699			699
Other income	1,056	618			1,674	2,151			3,825									3,825			3,825			3,825
Administrative expenses	(18,638)	(2,475)			(21,113)	(14,279)			(35,392)			(1,200)	*11*					(36,592)			(36,592)			(36,592)
(Loss)/profit from operations	(1,472)	5,290			3,818	3,848			7,666									6,466			6,466			6,466
Finance costs	(4,093)	(4)			(4,097)	(20)	(981)	*7*	(5,098)	(4,633)	*10*							(9,731)	(2,955)	*6*	(12,686)	(1,855)	*7*	(14,541)
Excess of the Group's interest in the net fair values of the identifiable assets, liabilities and contingent liabilities of EFL over consideration	–	–			–	–	5,546	*1(v)*	5,546									5,546			5,546			5,546
Loss on disposal of subsidiaries	(262)	–			(262)	–			(262)									(262)			(262)			(262)
(Loss)/profit before taxation	(5,827)	5,286			(541)	3,828			7,852									2,019			(936)			(2,791)
Taxation	–	(1,004)			(1,004)	(512)			(1,516)									(1,516)			(1,516)			(1,516)
(Loss)/ profit for the year	(5,827)	4,282			(1,545)	3,316			6,336									503			(2,452)			(4,307)

	Audited consolidated income statement of the Group for the year ended 31 March 2008 HK$'000	Audited income statement of ESL for the year ended 31 December 2008 HK$'000	Acquisition of 51% equity interest in ESL HK$'000	Notes	Unaudited pro forma consolidated income statement of the Enlarged Group (upon completion of the 51% acquisition of ESL alone) for the year ended 31 March 2008 HK$'000	Audited income statement of EFL for the year ended 31 December 2008 HK$'000	Acquisition of 51% equity interest in EFL HK$'000	Notes	Unaudited pro forma consolidated income statement of the Enlarged Group (upon completion of the 51% acquisitions of ESL and EFL alone) for the year ended 31 March 2008 HK$'000	Placing of CB and repayment of borrowings HK$'000	Notes	Remuneration Shares and Remuneration Warrants HK$'000	Notes	Placing of New Shares HK$'000	Notes	Convertible bonds converted in full HK$'000	Notes	Unaudited pro forma consolidated income statement of the Enlarged Group (upon completion of the 51% acquisitions of ESL and EFL and "Other Transactions" alone) for the year ended 31 March 2008 HK$'000	Acquisition of 49% equity interest in ESL HK$'000	Notes	Unaudited pro forma consolidated income statement of the Enlarged Group (upon completion of the acquisition of ESL, 51% acquisition of EFL and "Other Transactions" alone) as at 31 March 2008 HK$'000	Acquisition of 49% equity interest in EFL HK$'000	Notes	Unaudited pro forma consolidated income statement of the Enlarged Group as at 31 March 2008 HK$'000
Attributable to:																								
Equity holder of the Company	(5,827)	4,282			(3,643)	3,316			2,613									(3,220)	2,098	8	(4,077)	1,625	8	(4,307)
Minority interests	–	–	2,098	8	2,098	–	1,625	8	3,723									3,723	(2,098)	8	1,625	(1,625)	8	–
(Loss)/profit for the year	(5,827)	4,282			(1,545)	3,316			6,336									503			(2,452)			(4,307)

(III) Unaudited pro forma Consolidated Cash Flow Statement of the Enlarged Group

	Audited consolidated cash flow statement of the Group for the year ended 31 March 2008	Audited cash flow statement of ESL for the year ended 31 December 2008	Acquisition of 51% equity interest in ESL		Unaudited pro forma consolidated cash flow statement of the Enlarged Group (upon completion of the 51% acquisition of ESL alone) for the year ended 31 March 2008	Audited consolidated cash flow statement of EFL for the year ended 31 December 2008	Acquisition of 51% equity interest in EFL		Unaudited pro forma consolidated cash flow statement of the Enlarged Group (upon completion of the 51% acquisitions of ESL and EFL alone) for the year ended 31 March 2008	Placing of CB and repayment of borrowings		Remuneration Shares and Remuneration Warrants		Placing of Placing Shares		Convertible bonds converted in full		Unaudited pro forma consolidated cash flow statement of the Enlarged Group (upon completion of the 51% acquisitions of ESL and EFL and "Other Transactions" alone) for the year ended 31 March 2008	Acquisition of 49% equity interest in ESL		Unaudited pro forma consolidated cash flow statement of the Enlarged Group (upon completion of the acquisition of ESL, 51% of EFL and "Other Transactions" alone) for the year ended 31 March 2008	Acquisition of 49% equity interest in EFL		Unaudited pro forma consolidated cash flow statement of the Enlarged Group for the year ended 31 March 2008
	HK$'000	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*	*Notes*	*HK$'000*	*Notes*	*HK$'000*	*Notes*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
Operating activities																								
(Loss)/profit before taxation	(5,827)	5,286			(541)	3,828	4,565	*1(v), 7*	7,852	(4,633)	*10*	(1,200)	*11*					2,019	(2,955)	*6*	(936)	(1,855)	*7*	(2,791)
Adjustments for:																								
Reversal of impairment loss for investment deposits	(8,000)	–			(8,000)	–			(8,000)									(8,000)			(8,000)			(8,000)
Depreciation of property, plant and equipment	608	349			957	1,064			2,021									2,021			2,021			2,021
Interest income	(331)	(3,187)			(3,518)	(44)			(3,562)									(3,562)			(3,562)			(3,562)
Interest expense	4,059	4			4,063	–			4,063									4,063			4,063			4,063
Interest on obligations under finance leases	34	–			34	–			34									34			34			34
Interest on convertible notes	–	–			–	–			–	4,633	*10*							4,633	2,955	*6*	7,588			7,588
Interest on promissory note	–	–			–	–	981	*7*	981									981			981	1,855	*7*	2,836
Share-based payment expense	–	–			–	–			–			1,200	*11*					1,200			1,200			1,200
Reversal of provision for doubtful debts	(699)	–			(699)	–			(699)									(699)			(699)			(699)
Bad debts written off	34	–			34	–			34									34			34			34
Fair value change of investment held for trading	32	–			32	–			32									32			32			32
Loss on disposal of subsidiaries	262	–			262	–			262									262			262			262
Excess of the Group's interest in the net fair values of the identifiable assets, liabilities and contingent liabilities of EFL over consideration	–	–			–	–	(5,546)	*1(v)*	(5,546)									(5,546)			(5,546)			(5,546)
Loan interest	–	–			–	20			20									20			20			20

	Audited consolidated cash flow statement of the Group for the year ended 31 March 2008	Audited cash flow statement of ESL for the year ended 31 December 2008	Acquisition of 51% equity interest in ESL	Notes	Unaudited pro forma consolidated cash flow statement of the Enlarged Group (upon completion of the 51% acquisition of ESL alone) for the year ended 31 March 2008	Audited consolidated cash flow statement of EFL for the year ended 31 December 2008	Acquisition of 51% equity interest in EFL	Notes	Unaudited pro forma consolidated cash flow statement of the Enlarged Group (upon completion of the 51% acquisitions of ESL and EFL alone) for the year ended 31 March 2008
	HK$'000	*HK$'000*	*HK$'000*		*HK$'000*	*HK$'000*	*HK$'000*		*HK$'000*
Operating cash flows before working capital changes	(9,828)	2,452			(7,376)	4,868			(2,508)
(Increase)/ decrease in other non-current assets	(35)	69			34	–			34
Decrease in inventories	213	–			213	–			213
(Increase)/ decrease in accounts receivable	(634)	18,860			18,226	(1,572)			16,654
Decrease in progress payments receivable	1,416	–			1,416	–			1,416
Increase in other receivables, deposits and prepayments	(50)	(21)			(71)	(10,184)			(10,255)
Decrease in retention money receivables	1,398	–			1,398	–			1,398
Decrease/ (increase) in amounts due from related companies	26	–			26	4,522	(4,522)	4	26
Increase in amount due from a director	(426)	–			(426)	–			(426)
Increase in accounts payable, other payables and accrued charges	8,907	(105,910)			(97,003)	1,854			(95,149)
Decrease in retention money payables	(294)	–			(294)	–			(294)
Decrease in amounts due to an ultimate holding company	–	–			–	–			–
Increase in amounts due to a related company	–	(4,522)			(4,522)	–	4,522	4	–
Decrease in amount due to a director	(529)	–			(529)	–			(529)
Cash generated from operations	164	(89,072)			(88,908)	(512)			(89,420)
Interest received	331	3,187			3,518	44			3,562
Interest paid	(4,059)	(4)			(4,063)	(20)			(4,083)
Interest on obligations under finance leases	(34)	–			(34)	–			(34)
Hong Kong profits tax paid	–	(1,952)			(1,952)	317			(1,635)

	Placing of CB and repayment of borrowings	Notes	Remuneration Shares and Remuneration Warrants	Notes	Placing of Placing Shares	Notes	Convertible bonds converted in full	Notes	Unaudited pro forma consolidated cash flow statement of the Enlarged Group (upon completion of the 51% acquisitions of ESL and EFL and "Other Transactions" alone) for the year ended 31 March 2008	Acquisition of 49% equity interest in ESL	Notes	Unaudited pro forma consolidated cash flow statement of the Enlarged Group (upon completion of the acquisition of ESL, 51% of EFL and "Other Transactions" alone) for the year ended 31 March 2008	Acquisition of 49% equity interest in EFL	Notes	Unaudited pro forma consolidated cash flow statement of the Enlarged Group for the year ended 31 March 2008
	HK$'000		*HK$'000*		*HK$'000*		*HK$'000*		*HK$'000*	*HK$'000*		*HK$'000*	*HK$'000*		*HK$'000*
Operating cash flows before working capital changes									(2,508)			(2,508)			(2,508)
(Increase)/ decrease in other non-current assets									34			34			34
Decrease in inventories									213			213			213
(Increase)/ decrease in accounts receivable									16,654			16,654			16,654
Decrease in progress payments receivable									1,416			1,416			1,416
Increase in other receivables, deposits and prepayments									(10,255)			(10,255)			(10,255)
Decrease in retention money receivables									1,398			1,398			1,398
Decrease/ (increase) in amounts due from related companies									26			26			26
Increase in amount due from a director									(426)			(426)			(426)
Increase in accounts payable, other payables and accrued charges									(95,149)			(95,149)			(95,149)
Decrease in retention money payables									(294)			(294)			(294)
Decrease in amounts due to an ultimate holding company									–			–			–
Increase in amounts due to a related company									–			–			–
Decrease in amount due to a director									(529)			(529)			(529)
Cash generated from operations									(89,420)			(89,420)			(89,420)
Interest received									3,562			3,562			3,562
Interest paid									(4,083)			(4,083)			(4,083)
Interest on obligations under finance leases									(34)			(34)			(34)
Hong Kong profits tax paid									(1,635)			(1,635)			(1,635)

	Audited consolidated cash flow statement of the Group for the year ended 31 March 2008	Audited cash flow statement of ESL for the year ended 31 December 2008	Acquisition of 51% equity interest in ESL	Notes	Unaudited pro forma consolidated cash flow statement of the Enlarged Group (upon completion of the 51% acquisition of ESL alone) for the year ended 31 March 2008	Audited consolidated cash flow statement of EFL for the year ended 31 December 2008	Acquisition of 51% equity interest in EFL	Notes	Unaudited pro forma consolidated cash flow statement of the Enlarged Group (upon completion of the 51% acquisitions of ESL and EFL alone) for the year ended 31 March 2008	Placing of CB and repayment of borrowings	Notes	Remuneration Shares and Remuneration Warrants	Notes	Placing of Placing Shares	Notes	Convertible bonds converted in full	Notes	Unaudited pro forma consolidated cash flow statement of the Enlarged Group (upon completion of the 51% acquisitions of ESL and EFL and "Other Transactions" alone) for the year ended 31 March 2008	Acquisition of 49% equity interest in ESL	Notes	Unaudited pro forma consolidated cash flow statement of the Enlarged Group (upon completion of the acquisition of ESL, 51% of EFL and "Other Transactions" alone) for the year ended 31 March 2008	Acquisition of 49% equity interest in EFL	Notes	Unaudited pro forma consolidated cash flow statement of the Enlarged Group for the year ended 31 March 2008
	HK$'000	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*	*Notes*	*HK$'000*	*Notes*	*HK$'000*	*Notes*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
Net cash (used in)/ generated from operating activities	(3,598)	(87,841)			(91,439)	(171)			(91,610)									(91,610)			(91,610)			(91,610)
Investing activities																								
Purchase of property, plant and equipment	(911)	–			(911)	(1,018)			(1,929)									(1,929)			(1,929)			(1,929)
Refund of investment deposits	8,000	–			8,000	–			8,000									8,000			8,000			8,000
Placement of pledged bank deposits	(62)	–			(62)	–			(62)									(62)			(62)			(62)
Decrease in loans payable	(687)	–			(687)	–			(687)									(687)			(687)			(687)
Disposal of subsidiaries	1,135	–			1,135	–			1,135									1,135			1,135			1,135
Net cash generated from/(used in) investing activities	7,475	–			7,475	(1,018)			6,457									6,457			6,457			6,457
Financing activities																								
New borrowings obtained	22,424	–			22,424	–			22,424									22,424			22,424			22,424
Repayment of other borrowings	(6,802)	–			(6,802)	–			(6,802)	(22,735)	*9*							(29,537)			(29,537)			(29,537)
Repayment of obligations under finance leases	(290)	–			(290)	–			(290)									(290)			(290)			(290)
Issue of convertible notes	–	–			–	–			–	48,050	*9*							48,050			48,050			48,050
Issue of placing shares	–	–			–	–			–					19,300	*13*			19,300			19,300			19,300
Net cash generated from financing activities	15,332	–			15,332	–			15,332									59,947			59,947			59,947

	Audited consolidated cash flow statement of the Group for the year ended 31 March 2008	Audited cash flow statement of ESL for the year ended 31 December 2008	Acquisition of 51% equity interest in ESL		Unaudited pro forma consolidated cash flow statement of the Enlarged Group (upon completion of the 51% acquisition of ESL alone) for the year ended 31 March 2008	Audited consolidated cash flow statement of EFL for the year ended 31 December 2008	Acquisition of 51% equity interest in EFL		Unaudited pro forma consolidated cash flow statement of the Enlarged Group (upon completion of the 51% acquisitions of ESL and EFL alone) for the year ended 31 March 2008	Placing of CB and repayment of borrowings		Remuneration Shares and Remuneration Warrants		Placing of Placing Shares		Convertible bonds converted in full		Unaudited pro forma consolidated cash flow statement of the Enlarged Group (upon completion of the 51% acquisitions of ESL and EFL and "Other Transactions" alone) for the year ended 31 March 2008	Acquisition of 49% equity interest in ESL		Unaudited pro forma consolidated cash flow statement of the Enlarged Group (upon completion of the acquisition of ESL, 51% of EFL and "Other Transactions" alone) for the year ended 31 March 2008	Acquisition of 49% equity interest in EFL		Unaudited pro forma consolidated cash flow statement of the Enlarged Group for the year ended 31 March 2008
	HK$'000	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*	*Notes*	*HK$'000*	*Notes*	*HK$'000*	*Notes*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
Net (decrease)/ increase in cash and cash equivalents	19,209	(87,841)			(68,632)	(1,189)			(69,821)									(25,206)			(25,206)			(25,206)
Cash and cash equivalents at beginning of year	5,358	98,723			104,081	41,761			145,842									145,842			145,842			145,842
Cash and cash equivalents at end of year	24,567	10,882			35,449	40,572			76,021									120,636			120,636			120,636
Analysis of the balances of cash and cash equivalents																								
Cash and cash equivalents - trust	11,140	3,759			14,899	31,213			46,112									46,112			46,112			46,112
Cash and cash equivalents - general	15,390	7,123			22,513	9,359			31,872	48,050	*9*													
										(22,735)	*9*			19,300	*13*			76,487			76,487			76,487
Bank overdrafts (secured)	(1,963)	–			(1,963)	–			(1,963)									(1,963)			(1,963)			(1,963)
	24,567	10,882			35,449	40,572			76,021									120,636			120,636			120,636

Notes to unaudited pro forma financial information of the Enlarged Group

1. Under HKFRS 3 Business Combinations ("HKFRS 3"), the Group applied the purchase method to account for the acquisitions of ESL and EFL. In applying the purchase method, the identifiable assets, liabilities and contingent liabilities of ESL and EFL are recorded on the consolidated balance sheet of the Group at their fair values at the date of completion. Goodwill arising on the acquisitions is determined as the excess of the consideration payable by the Group over the Group's interests in the net fair values of the identifiable assets, liabilities and contingent liabilities of ESL and EFL at the date of completion. Excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of EFL over consideration is recognised immediately in the consolidated income statement.

   Since the net fair values of the identifiable assets, liabilities, and contingent liabilities of ESL and EFL as at the date of completion of the Acquisitions may be different from their values used in the preparation of the unaudited pro forma consolidated balance sheet above, the amount of excess and deficit of the acquirer's interests in the net fair values of acquirees' identifiable assets, liabilities and contingent liabilities over the costs of acquisition arising from the Acquisitions will be reassessed at time of actual completion.

   The adjustments reflect the following:

   (i) The consideration of the acquisition of 51% equity interest in ESL was satisfied by the issue of convertible notes of HK$20,000,000 which are convertible into ordinary shares of the Company at the conversion price of HK$0.10. The consideration for the Proposed ESL Acquisition will be satisfied by the issue of convertible notes of HK$19,200,000 which are convertible into ordinary shares of the Company at conversion price HK$0.16.

   (ii) The consideration of the acquisition of 51% equity interest in EFL was satisfied by the issue of a promissory note of HK$10,200,000 which did not carry interest and was due for payment on the day falling 24 months after the completion, provided that the acquirer would be entitled to redeem the promissory note (in whole or in part) at any time after the completion of the Acquisition. The Company redeemed the promissory note in full on 20 February 2009. The consideration for the Proposed EFL Acquisition will be satisfied by the issue of convertible notes of HK$9,800,000 which are convertible into ordinary shares of the Company at a conversion price of HK$0.16.

(iii) The fair values of the convertible notes are determined by reference to the valuations (the "Valuations") of the 51% and the remaining 49% equity interests in ESL and the remaining 49% equity interest in EFL at HK$21,600,000, HK$24,270,000 and HK$14,005,000 respectively. The Valuations were carried out by BMI Appraisals Limited, an independent firm of professional valuers, the business address of which is Suite 11-18, 31/F., Shui On Centre, Nos. 6-8 Harbour Road, Wanchai, Hong Kong.

(iv) Goodwill of approximately HK$4,591,000 and HK$7,847,000 arising from the acquisitions of the 51% and the remaining 49% equity interests in ESL are calculated as follows:

Acquisition of 51% equity interest in ESL

	HK$'000
Consideration *(Note 1(iii))*	21,600
Fair value of net assets ESL	34,332
Less: Minority interest	(16,823)
Fair value of net assets of ESL in 51% equity interest	17,509
Add: Professional expenses incurred for the acquisition *(Note 5)*	500
Goodwill	4,591

The Proposed ESL Acquisition

	HK$'000
Consideration *(Note 1(iii))*	24,270
Less: Fair value of net assets of ESL in 49% equity interest (HK$34,332,000 x 49%)	(16,823)
	7,447
Add: Professional expenses to be incurred for the Proposed ESL Acquisition *(Note 5)*	400
Goodwill	7,847

All identifiable assets, liabilities and considerations are assumed to be at their fair values.

(v) Excess of the Group's interest in the net fair values of the identifiable assets, liabilities and contingent liabilities of EFL over consideration is approximately HK$5,546,000 and goodwill of approximately HK$940,000 arising from the acquisitions of the 51% and the remaining 49% equity interests in EFL, which are calculated as follows:

Acquisition of 51% equity interest in EFL

	HK$'000
Consideration *(Note 2)*	8,119
Fair value of net assets of EFL	27,480
Less: Minority interests	(13,465)
Fair value of net assets of EFL in 51% equity interest	14,015
Add: Professional expenses incurred for the acquisition *(Note 5)*	350
Excess of the Group's interest in the net fair values of the identifiable assets, liabilities and contingent liabilities of EFL over consideration	(5,546)

The Proposed EFL Acquisition

	HK$'000
Consideration *(Note 1(iii))*	14,005
Less: Fair value of net assets of EFL in 49% equity interest (HK$27,480,000 x 49%)	(13,465)
	540
Add: Professional expenses to be incurred for the Proposed EFL Acquisition *(Note 5)*	400
Goodwill	940

All identifiable assets, liabilities and considerations are assumed to be at their fair values.

(vi) Elimination of share capital and reserves of ESL of HK$20,000,000 and approximately HK$14,332,000 respectively on consolidation of the 51% of equity interest in ESL.

(vii) Elimination of share capital and reserves of EFL of HK$20,000,000 and approximately HK$7,480,000 respectively on consolidation of the 51% of equity interest in EFL.

(viii) Elimination of minority interests of ESL and EFL of approximately HK$16,823,000 and HK$13,465,000 respectively upon completion on acquisitions of the remaining 49% of equity interests in ESL and EFL. ESL and EFL were deemed to have become wholly owned subsidiaries of the Company as at 31 March 2008.

2. The adjustment represents a promissory note issued and executed by the Group with the principal value of HK$10,200,000 to the vendor, for the acquisition of 51% equity interest of EFL as if it was issued on 31 March 2008. The promissory note is classified as a financial liability and should be initially measured at fair value, and subsequently measured at amortised cost, using the effective interest rate method. The fair value of the promissory note was determined at approximately HK$8,119,000 at the date of issue using the discount rate of 12% per annum, which is within the range of the effective interest rates of the Group's existing financing facilities, over the entire term of the promissory note, i.e. 2 years. The shortfall of HK$2,081,000 of the fair value of HK$8,119,000 below the principal value of HK$10,200,000 was recognised as an interest expense of the Group over a term of 2 years using the effective interest rate method.

3. The adjustments represent the liability and equity components of the convertible notes issued for the acquisitions of 51% equity interest in ESL, the Proposed ESL Acquisition and the Proposed EFL Acquisition as if they were issued on 31 March 2008. The estimated fair values of the liability components of the convertible notes are approximately HK$14,208,000, HK$13,294,000 and HK$6,785,000 respectively, which are determined using the discounted cash flow method. The equity components, being the residual amounts of fair values of convertible notes after deducting the estimated fair values of liability components, are approximately HK$7,392,000, HK$10,976,000 and HK$7,220,000 respectively.

4. The adjustment represents the elimination of inter-company balances of ESL and EFL as they become group enterprises within a group upon the completion of the Proposed Acquisitions.

5. The adjustments represent professional expenses incurred or to be incurred by the Company in relation to the acquisitions of the 51% and the remaining 49% equity interests in ESL and EFL. These professional expenses shall not have a continuing effect on the financial statements of the Enlarged Group in the subsequent years.

6. The adjustments of approximately HK$2,955,000 represent the yearly imputed interest expenses on the convertible notes issued for the remaining 49% equity interests in ESL, which are to be expensed in the consolidated income statement of the Enlarged Group by assuming that the acquisition had been completed at the beginning of the year ended 31 March 2008. These interest expenses shall have a continuing effect on the financial statements of the Enlarged Group in the subsequent years.

7. The adjustments of approximately HK$981,000 and HK$1,855,000 represent the yearly imputed interest expenses on the promissory note and the convertible notes issued for the acquisitions of 51% and the remaining 49% equity interests in EFL respectively, which are to be expensed in the consolidated income statement of the Enlarged Group by assuming that the promissory note and the convertible notes had been issued at the beginning of the year ended 31 March 2008. For the purpose of the unaudited pro forma financial information, these yearly interest expenses have been shown as having a continuing effect on the financial statements of the Enlarged Group in the subsequent years, not withstanding that the Company redeemed the promissory note in full on 20 February 2009.

8. The adjustments represent the share of profits of ESL and EFL for the year ended 31 December 2008 by the minority shareholders of these companies on consolidation of the 51% of equity interests. (Approximately HK$4,282,000 x 49% = HK$2,098,000 and approximately HK$3,313,000 x 49% = HK$1,625,000 respectively). The share of profits of ESL and EFL for the year ended 31 December 2008 by the minority shareholders of these companies were fully reversed on acquisitions of the remaining 49% of equity interests in these companies which were deemed to have been completed at the beginning of the year ended 31 March 2008.

9. The Company entered into a Placing Agreement with the Placing Agent in respect of the conditional placing of the Placing CB of a principal amount of HK$50 million with zero coupon due in three years from the date of issue. The adjustment represents the liability and equity components of the convertible notes issued for the Placing CB, which are stated net of the issue costs of HK$1,950,000 as if they were issued on 31 March 2008. The estimated fair value of the liability component of the convertible note is approximately HK$34,128,000 determined using the discounted cash flow method. The equity component, being the residual amount of fair value of convertible notes after deducting the fair value of liability component, is approximately HK$13,922,000. Part of the proceeds of the convertible notes is to repay the outstanding other borrowings from Kingston Finance Limited which amounted to approximately HK$22,735,000 as at 31 March 2008. Consequently, the net increase in bank balances and cash in the consolidated pro forma balance sheet is approximately HK$25,315,000 (HK$50,000,000 less HK$1,950,000 less HK$22,735,000). The Placing CB shall have a continuing effect on the financial statements of the Enlarged Group in the subsequent years.

10. The adjustment of approximately HK$4,633,000 represents the yearly imputed interest expenses on the Placing CB to be expensed in the consolidated income statement of the Enlarged Group by assuming that the Placing CB had been issued at the beginning of the year ended 31 March 2008. These yearly interest expenses shall have a continuing effect on the financial statements of the Enlarged Group in the subsequent years.

11. Veda Capital is the financial adviser to the Company regarding the resumption proposal which resumption conditions set out from the Hong Kong Stock Exchange dated 8 December 2008 were fulfilled on 19 February 2009. Pursuant to the engagement letter entered into between the Company and Veda Capital and having considered the financial position of the Company, it was agreed between the Company and Veda Capital that part of the professional fees of HK$1,200,000 charged by Veda Capital may be settled by the issue of Remuneration Shares to Veda Capital (or its nominee(s)) at an issue price of HK$0.10 per new Share upon the approval by the Stock Exchange on the resumption of trading in the Shares, which is equivalent to the Consideration Conversion Price and Placing Conversion Price. The Company also agreed to grant Remuneration Warrants to Veda Capital (or its nominee(s)) upon the approval by the Stock Exchange on the resumption of trading in the Shares, which entitle Veda Capital (or its nominee(s) to subscribe for 12,000,000 new Shares at the exercise price of HK$0.10 per Share (subject to adjustments), at any time between the date of issue of the Remuneration Warrants and 36 months thereafter. This administrative expense shall not have a continuing effect on the financial statements of the Enlarged Group in the subsequent years.

12. The adjustment represents the effect of the placing of 80,000,000 new shares at an issue price of HK$0.25 per share of the Company. Upon completion, the share capital and share premium of the Company were increased by approximately HK$8,000,000 and HK$11,300,000 (being excess of consideration over par value less professional fees of HK$700,000 incurred).

13. The adjustment represents the effect of the full conversion of the 200,000,000 convertible notes into ordinary shares at HK$0.10 per share as if the conversion took place on 31 March 2008. Upon conversion, the liability component of HK$14,208,000 and equity component of HK$7,392,000 of the convertible notes (Note 3) were transferred to share capital in full and to the extent of HK$5,792,000 respectively. The remaining balance of the equity component of HK$1,600,000 represents share premium arising on conversion.

14. No adjustment has been made to reflect any trading result or other transactions of the Enlarged Group entered into subsequent to 31 March 2008.

B. COMFORT LETTER ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the text of a letter from Shu Lun Pan Hong Kong CPA Limited, the reporting accountants of the Company, in respect of the unaudited pro forma financial information of the Enlarged Group as set out in this Appendix and prepared for the sole purpose of inclusion in this circular.

Shu Lun Pan Hong Kong CPA Limited
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18 Harbour Road
Wanchai, Hong Kong
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8 May 2009

The Directors
China Fortune Group Limited
13/F., Sunning Plaza
10 Hysan Avenue
Causeway Bay
Hong Kong

Dear Sirs,

We report on the unaudited pro forma financial information (“Unaudited Pro Forma Financial Information”) of China Fortune Group Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) and Excalibur Securities Limited (“ESL”) and Excalibur Futures Limited (“EFL”) (together with the Group hereinafter referred to as the “Enlarged Group”) as set out on pages 253 and 271 under the heading of “Unaudited Pro Forma Financial Information of the Enlarged Group” in Appendix III to the Company’s circular (the “Circular”) dated 8 May 2009, which have been prepared by the Directors of the Company, solely for illustrative purposes only, to provide information about how the proposed acquisitions of the remaining 49% equity interests in ESL (the “Proposed ESL Acquisition”) and EFL (the “Proposed EFL Acquisition”) (collectively the “Proposed Acquisitions”), might have affected the financial information of the Group. The basis of preparation of the Unaudited Pro Forma Financial Information is set out on pages 273 and 274 of the Circular.

Respective Responsibilities of Directors of the Company and Reporting Accountants

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

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

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information as set out in Appendix I of the Circular with the source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company.

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 purpose only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Enlarged Group as at 31 March 2008 or any future date; or

- the financial results and cash flows of the Enlarged Group for the year ended 31 March 2008 or for any future period.

Opinion

In our opinion:

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

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

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

Yours faithfully,
For and on behalf of
Shu Lun Pan Hong Kong CPA Limited
Certified Public Accountants
Hong Kong

Shiu Hong NG
Director
Practising Certificate number P03752

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 the omission of which would make any statement herein misleading.

2. SHARE CAPITAL

As at the Latest Practicable Date, the authorized and issued share capital of the Company was, and immediately following the conversion of the ESL Conversion Shares and EFL Conversion Shares will be as follows:

Authorised		*HK$*
5,000,000,000	Shares as at the Latest Practicable Date	500,000,000
Issued and credited as fully paid		
756,070,000	Shares as at the Latest Practicable Date	75,607,000
120,000,000	ESL Conversion Shares to be issued upon exercise in full of the conversion rights	12,000,000
61,250,000	EFL Conversion Shares to be issued upon exercise in full of the conversion rights	6,125,000
200,000,000	Top Good Conversion Shares to be issued upon exercise in full of the conversion rights	20,000,000
1,137,320,000	Shares in issue immediately after the Completion assuming the conversion rights of the ESL Convertible Bonds, EFL Convertible Bonds and Top Good Convertible Bonds are exercised in full	113,732,000

All the Shares to be issued upon full conversion of the ESL Convertible Bonds and EFL Convertible Bonds shall rank pari passu with all the Shares in issue 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 allotment and issue of ESL Conversion Shares and EFL Conversion Shares. As at the Latest Practicable Date, the Company had no debt securities aside from the principal amount of HK$50 million convertible notes issued by the Company.

3. DISCLOSURE OF INTERESTS

Directors' interests in Shares and underlying shares of the Company

As at the Latest Practicable Date, none of the Directors or chief executive of the Company and their associates had any interest or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (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 were taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be entered in the register maintained by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code").

Substantial Shareholders' interests in Shares and underlying shares of the Company

As at the Latest Practicable Date, so far as known to the Directors or chief executive of the Company, the following persons (other than the Directors or chief executive of the Company) had, or were deemed or taken to have interests or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at general meetings of the Company or any other member of the Enlarged Group:

Name of Shareholders	Capacity	Shares	Number of underlying Shares	Total number of Shares and underlying Shares	Approximate percentage of issued share capital
Good Treasure Holdings Ltd *(Note 1)*	Beneficial owner	108,000,000	9,000,000	117,000,000	15.47
Li Chun Sing, Andrew *(Note 1)*	Interest of controlled corporation	108,000,000	9,000,000	117,000,000	15.47
Pioneer (China) Limited *(Note 2)*	Beneficial owner	–	181,250,000	181,250,000	23.97
Mr. Lao Chio Kuan *(Note 2)*	Beneficial owner	200,000,000	181,250,000	381,250,000	50.43
Kademan Ltd *(Note 2)*	Interest of controlled corporation	–	181,250,000	181,250,000	23.97

Name of Shareholders	Capacity	Shares	Number of underlying Shares	Total number of Shares and underlying Shares	Approximate percentage of issued share capital
Chan Hoel Len *(Note 2)*	Interest of controlled corporation	–	181,250,000	181,250,000	23.97
Top Good Holdings Limited *(Note 3)*	Beneficial owner	53,738,000	315,000,000	368,738,000	48.77
PME Group Limited *(Note 3)*	Interest of controlled corporation	53,738,000	315,000,000	368,738,000	48.77
Ample Wealth Group Limited *(Note 4)*	Beneficial owner	–	365,000,000	365,000,000	48.27
Chan Wan Ying Debby *(Note 4)*	Interest of controlled corporation	–	365,000,000	365,000,000	48.27
Right Source Group Limited *(Note 5)*	Beneficial owner	–	125,000,000	125,000,000	16.53
Gainsay Holdings Limited *(Note 5)*	Interest of controlled corporation	–	125,000,000	125,000,000	16.53
Long Ding Yun *(Note 5)*	Interest of controlled corporation	–	125,000,000	125,000,000	16.53

Notes:

(1) Good Treasure Holdings Ltd ("Good Treasure") is a company incorporated in the British Virgin Islands and whose entire equity interest is beneficially wholly-owned by Mr. Li Chun Sing, Andrew.

In addition to the 108,000,000 Shares (representing approximately 14.28% of the issued share capital of the Company), Good Treasure has also been granted a call option to acquire the entire 9,000,000 Shares (representing approximately1.19% of the issued share capital of the Company) at an exercise price of HK$1 in total pursuant to a Deed of Assignment entered into between Good Treasure, Highworth Venture Limited and Billion Boom Investments Limited on 5 November 2007. The share certificates in respect of the 9,000,000 Shares were reported to have been lost and the replacement certificates were being applied for.

In all, as at the Latest Practicable Date, Good Treasure is deemed to be interested in an aggregate of 117,000,000 Shares (representing approximately 15.47% of the issued share capital of the Company) under the SFO.

(2) Pursuant to the ESL Agreement and the EFL Agreement, the Purchaser procures the Company to issue the ESL Convertible Bonds and the EFL Convertible Bonds upon ESL Completion and FEL Completion to Pioneer (China) Limited (i.e. the ESL Vendor or the EFL Vendor) respectively.

Pioneer (China) Limited is owned as to 50.92% by Mr. Lao Chio Kuan, who does not hold any role/position in the Company save for being a Shareholder. Mr. Lao is also the registered owner of 200,000,000 Shares.

The balance of 49.08% equity interest in Pioneer (China) Limited is owned by Kademan Limited, a company incorporated in the British Virgin Islands and whose entire equity interest is beneficially wholly-owned by Mr. Chan Hoel Len.

(3) As at the Latest Practicable Date, the Subscriber, i.e. Top Good Holdings Limited, a wholly-owned subsidiary of PME Group Limited, a company whose shares are listed on the main board of the Stock Exchange, is the registered beneficial owner of 53,738,000 Shares (representing approximately 7.11% of the issued share capital of the Company) and owns as to 115,000,000 other convertible bonds in the principal amount of HK$11,500,000 with zero coupon rate and conversion price of HK$0.10 due in February 2012. Pursuant to the Subscription Agreement, the Company procures to issue the Top Good Convertible Bonds in the principal amount of HK$32,000,000 with zero coupon rate and conversion price of HK$0.16 due three years from date of issue upon Top Good CB Completion.

(4) Pursuant to the AMS Agreement, the Purchaser procures the Company to issue the AMS Convertible Bonds to Ample Wealth Group Limited upon completion of the acquisition of the Wealthy Aim Group Limited ("Wealthy Aim").

Wealthy Aim is a company incorporated in the British Virgin Islands and whose entire equity interest is beneficially wholly-owned by Ms. Chan Wan Ying, Debby.

(5) Right Source Group Limited ("Right Source"), a company incorporated in Hong Kong with limited liability, owns 125,000,000 other convertible bonds in the principal amount of HK$12,500,000 with zero coupon rate and conversion price of HK$0.10 due in February 2012.

Right Source is wholly owned by Gainsay Holdings Limited, a company incorporated in the British Virgin Islands with limited liability which in turn is beneficially and wholly owned by Mr. Long Ding Yun.

Save as disclosed above, as at the Latest Practicable Date and so far as known to the Directors or chief executive of the Company, no other person (other than the Directors or chief executive of the Company) had any interests or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under provisions of Divisions 2 and 3 of Part XV of the SFO, or recorded in the register kept by the Company pursuant to Section 336 of the SFO, or who were, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at general meetings of the Company or any other member of the Enlarged Group and none of the Directors held any directorship or employment in a company which has 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 or Part XV of the SFO.

4. DIRECTORS' INTERESTS IN ASSETS/CONTRACTS AND OTHER INTERESTS

None of the Directors has any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Enlarged Group or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group since 31 March 2008, being the date to which the latest published audited consolidated accounts of the Group were made up.

None of the Directors was materially interested in any asset, contract or arrangement entered into by any member of the Enlarged Group subsisting at the Latest Practicable Date which was significant in relation to the business of the Enlarged Group.

5. COMPETING BUSINESS

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

6. DIRECTORS' SERVICE CONTRACTS

Mr. Ng Cheuk Fan, Keith, the Managing Director and an executive Director, entered into a service agreement with the Company commencing from 4 April 2007 for a term of one year and subject to provisions on removal, re-election and retirement by rotation in accordance with the articles of association of the Company. He also entered into an employment contract with one of the subsidiary in the Group.

Mr. Yeung Kwok Leung, an executive Director, entered into a service agreement with the Company commencing from 1 August 2006 for a term of one year and subject to provisions on removal, re-election and retirement by rotation in accordance with the articles of association of the Company. He also entered into an employment contract with one of the subsidiary in the Group.

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors have entered into any service contract with the Company or any member of the Enlarged Group or any of its subsidiaries or associated companies in force, which was entered into or amended within six months prior to the Latest Practicable Date, or is continuous with a notice period of 12 months to run irrespective of the notice period (excluding contracts expiring or determinable by the employer within one year without payment of compensation, other than statutory compensation).

7. MATERIAL CONTRACTS

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

(a) the sale and purchase agreement dated 27 February 2008 (as amended on 30 May, 31 July, 19 September, 31 October 2008 and 31 January 2009) entered into between Mr. Lao Chio Kuan ("Mr. Lao") and the Purchaser in relation to the acquisition of 51% of the issued share capital of Excalibur Securities at the consideration of HK$20 million, to be satisfied by the issue of convertible notes by the Company to Mr. Lao;

(b) the conditional placing agreement dated 27 February 2008 (as amended on 30 May, 31 July, 31 October 2008 and 31 January 2009) entered into between the Company and Kingston Securities Limited in relation to the placing of a principal amount of HK$50 million convertible notes;

(c) the engagement letter dated 15 April 2008 entered into between the Company and Veda Capital Limited pursuant to which, among others, the Company agreed to issue certain remuneration shares and remuneration warrants to Veda Capital Limited as more particularly set out in the circular of the Company dated 30 June 2008;

(d) the conditional placing agreement entered into between the Company and Get Nice Securities Limited on 10 September 2008 (as supplemented on 10 December 2008 and 31 January 2009) in relation to the placing of 80,000,000 placing shares on a fully underwritten basis;

(e) the First and Second Memorandum ("Memorandum") entered into between the Purchaser and 深圳市華德石油化工有限公司 (#Shenzhen Huade Petrochemical Company Limited) ("SZ Huade") on 9 December 2008 and 4 March 2009 respectively in relation to the proposed acquisition of not less than 49% of the issued share capital of a company established in the PRC engaged in the broking service for dealing in futures contracts in the PRC;

(f) the formal sale and purchase agreement dated 19 September 2008 which is based on the principal terms of the memorandum entered into between the Purchaser and EFL Vendor for the acquisition of 51% of the issued share capital of Excalibur Futures at the consideration of HK$10.2 million to be satisfied by the issue of promissory note by the Purchaser. The EFL Vendor covenanted and guaranteed that the net profit after tax of Excalibur Futures for each of the financial years ending 31 December 2009 and 2010 shall not be less than HK$4.5 million and HK$5 million respectively;

For identification purpose only

(g) a conditional sale and purchase agreement dated 6 March 2009 entered into between Ample Wealth Group Limited and the Purchaser for the acquisition for 100% issued share capital of Wealthy Aim Group Limited at a consideration of HK$58.5 million (subject to adjustment), which shall be satisfied by the Purchaser paid an initial non-refundable deposit of HK$100,000 in cash and the remaining balance of HK$58.4 million (subject to adjustment) by the issue of convertible bonds. Wealthy Aim is an investment holding company and subject to reorganization, it will own 70% of the issued share capital of AMS Capital Limited;

(h) the Subscription Agreement;

(i) the ESL Agreement; and

(j) the EFL Agreement.

8. EXPERTS AND CONSENTS

(a) The following are the qualifications of the expert who has given its opinions and advice which are included in this circular:

Name	**Qualification**
Shu Lun Pan Hong Kong CPA Limited ("SLP")	Certified Public Accountants
K. H. Chan & Company ("KHChan & Co.)	Certified Public Accountants
BMI Appraisals Limited ("BMI")	Independent Valuer
SinoPac Securities (Asia) Limited	a licensed corporation under the SFO permitted to carry out type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities

(b) None of SLP, KHChan & Co., BMI and SinoPac has any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

(c) Each of SLP, KHChan & Co., BMI and SinoPac has given and has not withdrawn its written consent to the issue of this circular, with the inclusion of the references to its name and/or its opinion in the form and context in which they are included.

9. LITIGATION

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

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours on any weekday (public holidays excepted) at the office of the Company at 13/F., Sunning Plaza, 10 Hysan Avenue, Causeway Bay, Hong Kong from the date of this circular up to and including the date of the EGM:

(a) the articles of association of the Company;

(b) the letter of recommendation from the Independent Board Committee to the Independent Shareholders, the text of which is set out in the section headed "Letter from Independent Board Committee" in this circular;

(c) the letter of advice from SinoPac containing its advise to the Independent Board Committee and the Independent Shareholders, the text of which is set out in the section headed "Letter from SinoPac" in this circular;

(d) the annual reports of the Company for the two years ended 31 March 2007 and 2008 and the interim report of the Company for the six months ended 30 September 2008 as set out in Appendix I;

(e) the accountants' report of Excalibur Securities for the year ended 31 December 2008 issued by KHChan & Co. as set out in Appendix IIA to this circular;

(f) and the accountants' report of Excalibur Futures for the year ended 31 December 2008 issued by KHChan & Co. as set out in Appendix IIIA to this circular;

(g) the unaudited pro forma financial information of the Enlarged Group issued by SLP as set out in Appendix IV to this circular;

(h) the working capital comfort letter as provided by SLP to the Board pursuant to the requirements of rule 14.66(4) of the Listing Rules;

(i) the valuation report prepared by BMI in respect of the valuations of the convertible notes;

(j) the letters of consent from SLP, KHChan & Co., BMI and SinoPac referred to under "Experts and Consents" in this appendix;

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

(l) the service contracts referred to in the paragraph headed "Directors' Service Contracts" in this appendix;

(m) a circular of the Company dated 8 October 2008 in relation to, among others, the very substantial acquisition of 51% interest in Excalibur Futures; and

(n) a circular of the Company dated 30 June 2008 in relation to, among others, the very substantial acquisition of 51% interest in Excalibur Securities.

12. MISCELLANEOUS

(a) The registered office of the Company is located at P.O. Box 309, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands, British West Indies.

(b) The head office and principal place of business of the Company in Hong Kong is at 13/F., Sunning Plaza, 10 Hysan Avenue, Causeway Bay, Hong Kong.

(c) The Hong Kong branch share registrar and transfer office of the Company is Union Registrars Limited of Rooms 1901-02, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong.

(d) The company secretary of the Company is Ms. Chow Man Ngan who is a member of the Hong Kong Institute of Chartered Secretaries.

(e) The English text of this circular shall prevail over the Chinese text in the event of inconsistency.

集團有限公司

China Fortune Group Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 290)

Website: http://www.290.com.hk

NOTICE IS HEREBY GIVEN that an extraordinary general meeting ("**EGM**") of China Fortune Group Limited ("**Company**") will be held at Room 3503, 35th Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong on 29 May 2009 at 11:30 a.m. for the purposes of considering and, if thought fit, passing, with or without amendments or modifications, the following resolutions of the Company:

ORDINARY RESOLUTIONS

1. "**THAT**:

(a) the conditional sale and purchase agreement dated 6 March 2009 (the "**ESL Agreement**") entered into between Pioneer (China) Limited ("**Pioneer**") as vendor and Fortune Financial (Holdings) Ltd., a wholly-owned subsidiary of the Company (the "**Purchaser**"), as purchaser, in respect of the acquisition of the remaining 49% of the issued share capital of Excalibur Securities Limited by the Purchaser at the consideration of HK$19.2 million, to be satisfied by the issuance of the Consideration CB (as defined in paragraph 1(b) below) by the Company, a copy of which has been produced to the meeting marked "A" and signed by the Chairman of the meeting for the purpose of identification, and the execution thereof and implementation of all transactions thereunder be and are hereby approved, ratified and confirmed.

(b) (i) the creation and issuance of the zero coupon convertible notes by the Company in the aggregate principal amount of HK$19.2 million (the "**Consideration CB**") pursuant to the terms of the ESL Agreement; and

(ii) the allotment and issuance of new shares (the "**Consideration Conversion Shares**") of HK$0.1 each (subject to adjustment) in the capital of the Company upon the exercise of the conversion rights attached to the Consideration CB be and are hereby approved; and the directors of the Company be and are hereby authorized to allot and issue the Consideration CB and the Consideration Conversion Shares accordingly; and

(c) the directors of the Company be and are hereby authorized to sign, execute, perfect and deliver all such documents and do all such deeds, acts, matters and things (including under seal where applicable) as they may in their absolute discretion consider necessary or desirable for the purpose of or in connection with the implementation of the ESL Agreement, the issuance and allotment of the Consideration CB and the Consideration Conversion Shares, and all other documents in connection thereunder and all transactions and other matters contemplated thereunder or ancillary thereto, to waive compliance from and/or agree to any amendment or supplement to any of the provisions of the ESL Agreement (including the Consideration CB) and all other documents in connection thereunder which in their opinion is necessary or desirable to effect or implement any other matters referred to in this Resolution."

2. "**THAT**:

(a) the conditional sale and purchase agreement dated 6 March 2009 (the "**EFL Agreement**") entered into between Pioneer as vendor and the purchaser in respect of the acquisition of the remaining 49% of the issued share capital of Excalibur Futures Limited by the Purchaser at the consideration of HK$9.8 million, to be satisfied by the issuance of the Consideration CB (as defined in paragraph 2(b) below) by the Company, a copy of which has been produced to the meeting marked "B" and signed by the Chairman of the meeting for the purpose of identification, and the execution thereof and implementation of all transactions thereunder be and are hereby approved, ratified and confirmed.

(b) (i) the creation and issuance of the zero coupon convertible notes by the Company in the aggregate principal amount of HK$9.8 million (the "**Consideration CB**") pursuant to the terms of the EFL Agreement; and

(ii) the allotment and issue of new shares (the "**Consideration Conversion Shares**") of HK$0.10 each (subject to adjustment) in the capital of the Company upon the exercise of the conversion rights attached to the Consideration CB be and are hereby approved; and the directors of the Company be and are hereby authorized to allot and issue the Consideration CB and the Consideration Conversion Shares accordingly; and

(c) the directors of the Company be and are hereby authorized to sign, execute, perfect and deliver all such documents and do all such deeds, acts, matters and things (including under seal where applicable) as they may in their absolute discretion consider necessary or desirable for the purpose of or in connection with the implementation of the EFL Agreement, the issuance and allotment of the Consideration CB and the Consideration Conversion Shares, and all other documents in connection thereunder and all transactions and other matters contemplated thereunder or ancillary thereto, to waive compliance from and/or agree to any amendment or supplement to any of the provisions of the EFL Agreement (including the Consideration CB) and all other documents in connection thereunder which in their opinion is necessary or desirable to effect or implement any other matters referred to in this Resolution."

3. "**THAT**:

(a) the conditional subscription agreement dated 6 May 2009 (the "**Subscription Agreement**") entered into between the Company (as issuer) and Top Good Holdings Limited as subscriber (the "**Subscriber**"), in respect of the convertible bond to be issued by the Company in the principal amount of HK$32 million to the Subscriber (which shall be satisfied by the Subscriber in cash), a copy of which has been produced to the meeting marked "C" and signed by the Chairman of the meeting for the purpose of identification, and the execution thereof and implementation of all transactions thereunder be and are hereby approved, ratified and confirmed.

(b) (i) the creation and issuance of the zero coupon convertible notes by the Company in the aggregate principal amount of HK$32 million (the "**Top Good CB**") pursuant to the terms of the Subscription Agreement; and

(ii) the allotment and issuance of new shares (the "**Top Good Conversion Shares**") of HK$0.10 each (subject to adjustment) in the capital of the Company upon the exercise of the conversion rights attached to the Top Good CB be and are hereby approved; and the directors of the Company be and are hereby authorized to allot and issue the Top Good CB and the Top Good Conversion Shares accordingly; and

(c) the directors of the Company be and are hereby authorized to sign, execute, perfect and deliver all such documents and do all such deeds, acts, matters and things (including under seal where applicable) as they may in their absolute discretion consider necessary or desirable for the purpose of or in connection with the implementation of the Subscription Agreement, the issuance and allotment of the Top Good CB and the Top Good Conversion Shares, and all other documents in connection thereunder and all transactions and other matters contemplated thereunder or ancillary thereto, to waive compliance from and/or agree to any amendment or supplement to any of the provisions of the Subscription Agreement (including the Top Good CB) and all other documents in connection thereunder which in their opinion is necessary or desirable to effect or implement any other matters referred to in this Resolution."

4. "**THAT**:

the mandate to issue shares of the Company given to the directors of the Company at the annual general meeting of the Company held on 29 August 2008 be and is hereby revoked and replaced by the following mandate:

(I) (a) subject to paragraph (c) of Item (I) of these resolutions, the exercise by the directors of the Company during the Relevant Period of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options (including warrants, bonds, debentures, notes and other securities which carry rights to subscribe for or are convertible into shares of the Company) which might require the exercise of such power be and is hereby generally and unconditionally approved;

(b) the approval in paragraph (a) of Item (I) of these resolutions shall authorize the directors of the Company during the Relevant Period to make or grant offers, agreements and options (including warrants, bonds, debentures, notes and other securities which carry rights to subscribe for or are convertible into shares of the Company) which might require the exercise of such power during or after the end of the Relevant Period;

(c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the directors of the Company pursuant to the approval in paragraph (a) of Item (I) of these resolutions, otherwise than pursuant to (i) a Rights Issue (as defined in paragraph (d) below); or, (ii) any issue of the shares of the Company upon the exercise of any rights of subscription or conversion under any existing warrants, bonds, debentures, notes and other securities issued by the Company, or (iii) the exercise of any options granted under all Shares option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company, or (iv) any scrip dividend or similar arrangement providing for the allotment of shares *in lieu* of the whole or part of a dividend on shares of the Company in accordance with the Articles of Association of the Company in force from time to time, shall not exceed the aggregate of 20% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this resolution; and

(d) for the purposes of this resolution:

"Relevant Period" means the period from the date of the passing of these resolutions until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or any applicable laws of the Cayman Islands to be held; and

(iii) the revocation or variation of the authority given to the directors of the Company under this resolution by an ordinary resolution passed by the shareholders of the Company in general meeting; and

"Rights Issue" means an offer of shares of the Company or offer or issue of options, warrants or other securities giving the right to subscribe for shares of the Company, open for a period fixed by the directors of the Company to holders of shares whose names appear on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares of the Company, (subject to such exclusion or other arrangements as the directors of the Company deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of or the expense or delay which may be involved in determining the exercise or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction outside Hong Kong or any recognized regulatory body or any stock exchange outside Hong Kong.

(II) **THAT** the directors of the Company be and are hereby authorized to exercise the powers of the Company referred to in paragraph (a) of Item (I) of these resolutions in respect of the share capital of the Company referred to in sub-paragraph of paragraph (c) of Item (I) of such resolution."

5. "**THAT**:

subject to and conditional upon the Listing Committee of the Stock Exchange granting approval of the listing of, and permission to deal in, the shares in the share capital of the Company to be issued pursuant to the exercise of options which may be granted under the Refreshed Scheme Mandate Limited (as defined below), the refreshment of the limit in respect of the granting of share options under the share option scheme of the Company adopted on 12 February 2003 (the "**Existing Share Option Scheme**") and all other share option scheme(s) up to 10 per cent of the number of shares in issue at the date of this passing of this Resolution (the "**Refreshed Scheme Mandate Limit**") be and is hereby approved."

By order of the Board
China Fortune Group Limited
Ng Cheuk Fan, Keith
Managing Director

Hong Kong, 8 May 2009

Principal Place of Business in Hong Kong:
13/F, Sunning Plaza
10 Hysan Avenue
Causeway Bay, Hong Kong

Registered Office:
P.O. Box 309
Ugland House
South Church Street
George Town, Grand Cayman
Cayman Islands
British West Indies

Notes:

1. Any member of the Company entitled to attend and vote at the EGM may appoint one or more than one proxy to attend and to vote in his stead. A proxy need not be a member of the Company.

2. Where there are joint registered holders of any share, any one of such persons may vote at the EGM, either personally or by proxy, in respect of such share of the Company as if he was solely entitled thereto; but if more than one or such joint holders be present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.

3. In order to be valid, the proxy form duly completed and signed in accordance with the instructions printed thereon together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof must be delivered to the Company's branch registrar and transfer office in Hong Kong, Union Registrars Limited, at Rooms 1901-02, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof.

4. Whether or not you propose to attend the EGM in person, you are strongly urged to complete and return the proxy form in accordance with the instructions printed thereon. Completion and return of the proxy form will not preclude you from attending the EGM and voting in person if you so wish. In the event that you attend the EGM after having lodged the proxy form, it will be deemed to have been revoked.

As at the date of this notice, the Company's Board of Directors consists of three Executive Directors, namely Mr. Sun Tak Yan, Desmond (Chairman), Mr. Ng Cheuk Fan, Keith (Managing Director) and Mr. Yeung Kwok Leung; and three Independent Non-executive Directors, namely Mr. Tam B Ray Billy, Mr. Ng Kay Kwok and Mr. Lam Ka Wai, Graham.