THIS CIRCULAR 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 your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your securities in **Willie International Holdings Limited** (the "**Company**"), you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

WILLIE INTERNATIONAL

Willie International Holdings Limited
威 利 國 際 控 股 有 限 公 司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 273)

MAJOR TRANSACTION — ACQUISITION OF INTEREST IN ASSOCIATES AND NOTICE OF GENERAL MEETING

A notice convening a general meeting (the "GM") of the Company to be held at 30th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong at 10:00 a.m. on Thursday, 4 September 2014 is set out on pages 105 to 106 of this circular. A form of proxy for use by the Shareholders at the GM is enclosed.

Whether or not you intend to attend and vote at the GM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's share registrar and transfer office, **Computershare Hong Kong Investor Services Limited, at 17M Floor**, **Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong**, as soon as possible but in any event not less than 48 hours before the time appointed for holding the GM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending or voting in person at the GM or any adjournment thereof should you so wish.

19 August 2014

CONTENTS

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

"Acquisition"	the proposed acquisition of 300,000,000 Subscription Shares by Co-Lead or its nominee pursuant to the terms of the Agreement
"Agreement"	the agreement entered into on 7 May 2014 between Co-Lead and FCL in relation to the Acquisition
"Announcements"	the announcements of the Company dated 9 May 2014 and 15 May 2014 relating to, inter alia, the major transaction regarding the Acquisition
"Board"	the board of Directors of the Company
"Business Day(s)"	a day (other than a Saturday, Sunday and other public holidays) on which banks in Hong Kong are generally open for settlement business
"Co-Lead"	Co-Lead Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, which is an indirect wholly-owned subsidiary of the Company
"Company"	Willie International Holdings Limited, a company incorporated in Hong Kong with limited liability, whose shares are listed on the main board of the Stock Exchange (stock code: 273)
"Completion"	Completion of the Acquisition under the terms and conditions of the Agreement
"connected person"	has the meaning ascribed thereto under the Listing Rules
"Director(s)"	the director(s) of the Company
"Enlarged Group"	the Group immediately after the Completion
"GM"	the general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving the Agreement and transactions contemplated thereunder including the Acquisition
"Group"	the Company and its subsidiaries
"FCL"	Freeman Corporation Limited, a company incorporated in the Cayman Islands with limited liability and was an indirect wholly-owned subsidiary of Freeman as at the Latest Practicable Date

"FCL Group"	FCL and its subsidiaries
"FCL Shares"	ordinary shares with par value of US$0.00000005 each in the share capital of FCL
"Freeman"	Freeman Financial Corporation Limited, a company incorporated in the Cayman Islands with limited liability whose shares are listed on the main board of the Stock Exchange (stock code: 279)
"Freeman Group"	Freeman and its subsidiaries
"HK$"	the lawful currency for the time being of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Latest Practicable Date"	15 August 2014, being the latest practicable date for ascertaining certain information in this circular before printing of this circular
"Listing Committee"	the listing committee of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
"Share(s)"	existing ordinary share(s) in the share capital of the Company
"Shareholder(s)"	registered holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription Shares"	300,000,000 new FCL Shares to be allotted and issued to Co-Lead or its nominee pursuant to the terms of the Agreement
"US$"	US dollars, the lawful currency of the United States of America
"%"	per cent

Willie International Holdings Limited
威利國際控股有限公司

(Incorporated in Hong Kong with limited liability)
(Stock Code: 273)

Executive Directors:
Dr. Chuang Yueheng, Henry *(Chairman)*
Mr. Wong Ying Seung, Asiong *(Vice Chairman)*
Mr. Cheung Wing Ping
Ms. Cheung Ka Yee
Mr. Man Wai Chuen

Independent Non-executive Directors:
Mr. Wen Louis
Mr. Yau Yan Ming, Raymond
Mr. Frank H. Miu
Dr. Antonio Maria Santos

Registered Office and Principal Office:
32/F, China United Centre
28 Marble Road
North Point
Hong Kong

19 August 2014

To the Shareholders

Dear Sir/ Madam,

MAJOR TRANSACTION — ACQUISITION OF INTEREST IN ASSOCIATES AND NOTICE OF GENERAL MEETING

INTRODUCTION

As disclosed in the Announcements that on 7 May 2014 after trading hours, Co-Lead (an indirect wholly-owned subsidiary of the Company) entered into the Agreement with FCL, pursuant to which Co-Lead has agreed to subscribe and FCL has agreed to issue 300,000,000 Subscription Shares at a price of HK$2.93 per Subscription Share and the aggregate subscription price amounts to HK$879 million, subject to possible adjustment if applicable. The Subscription Shares represent approximately 39.4% of FCL's issued share capital as at Latest Practicable Date and approximately 28.3% of FCL's issued share capital as enlarged by the Subscription Shares.

The purpose of this circular is to provide you with details of (i) the proposed Acquisition, the Agreement and the transactions contemplated thereunder and (ii) a notice of the GM, at which ordinary resolution will be proposed to consider and approve the proposed Acquisition, the Agreement and the transactions contemplated thereunder.

THE AGREEMENT

Date

7 May 2014 (after trading hours)

Parties

(1) **Issuer**

FCL, which is a company incorporated in Cayman Islands with limited liability.

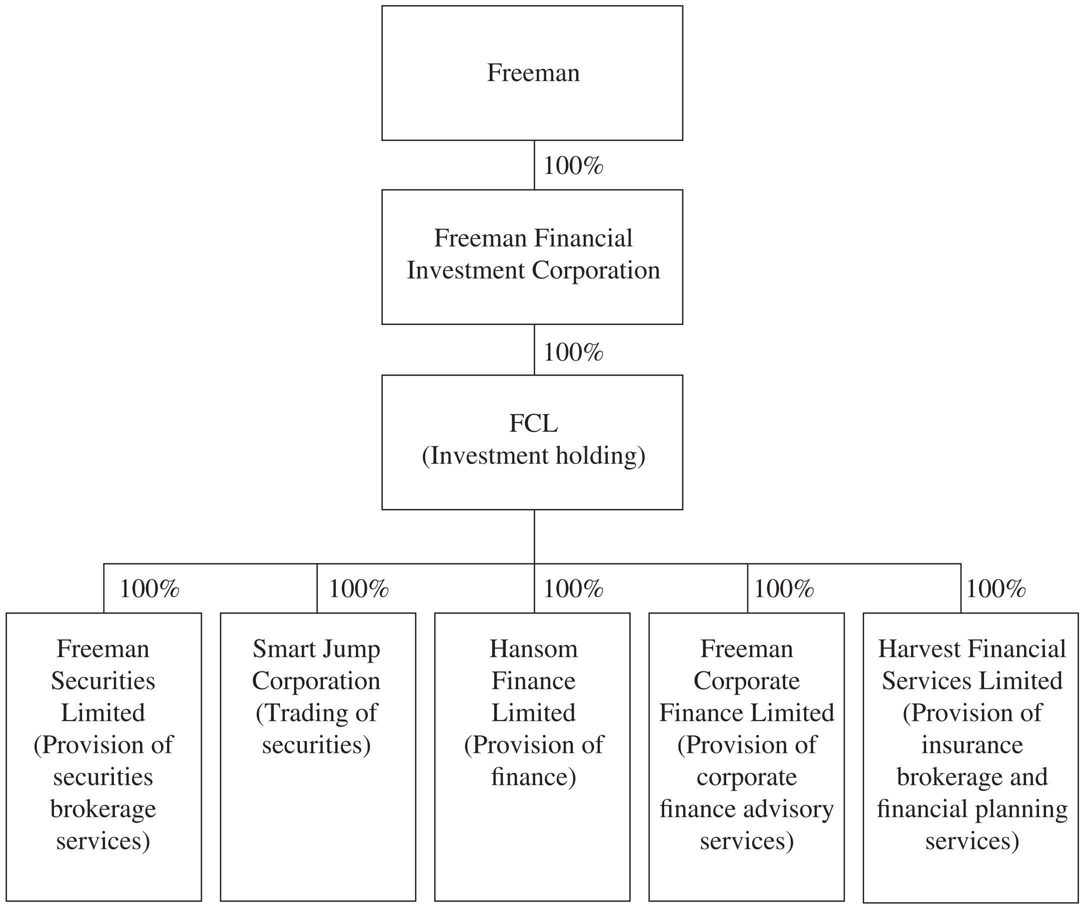
(2) **Subscriber**

Co-Lead, which is an indirect wholly-owned subsidiary of the Company.

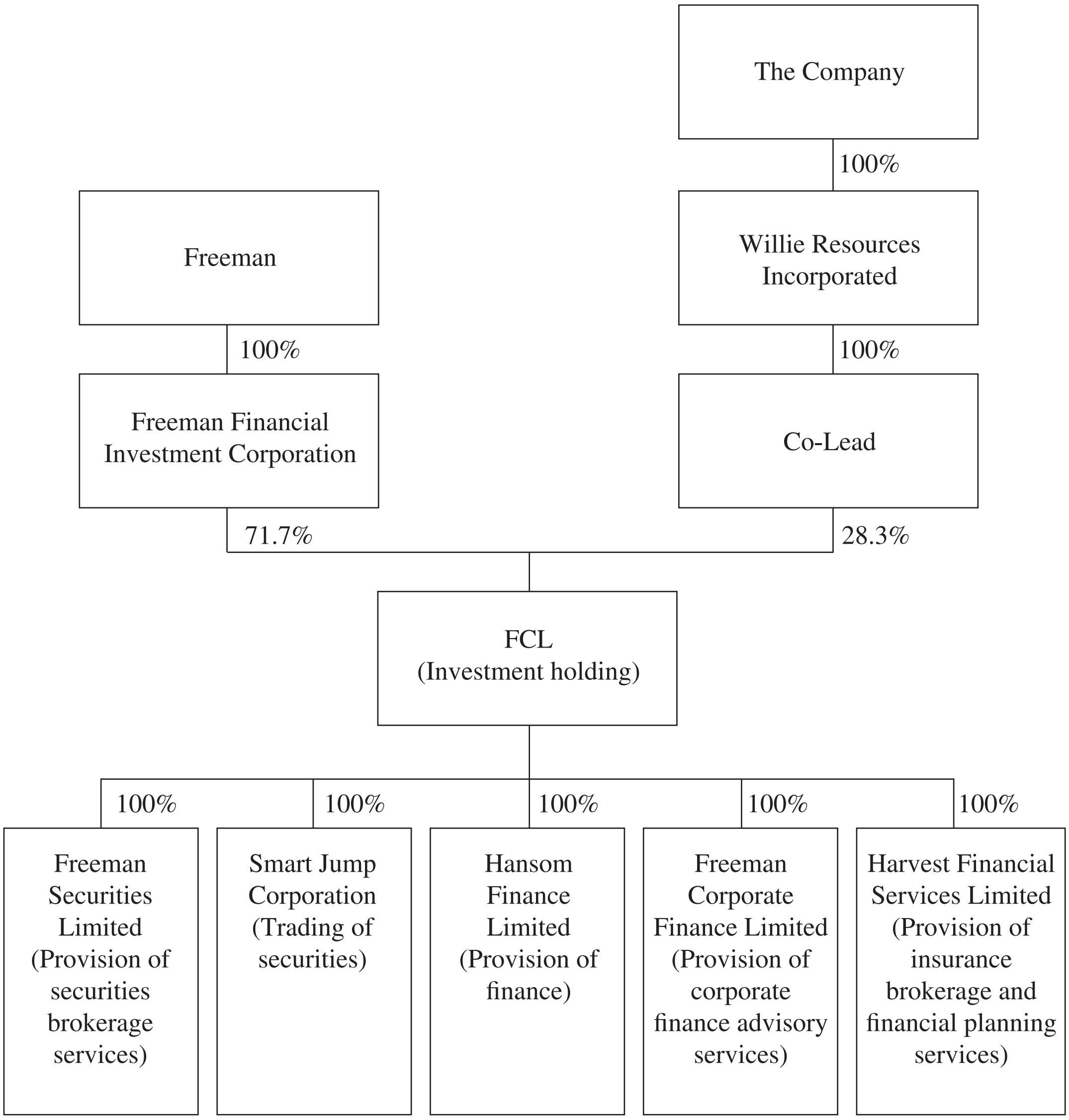
Assets to be acquired

Upon completion of the Agreement, FCL will allot and issue 300,000,000 Subscription Shares at the subscription price of HK$2.93 per Subscription Share (i.e. the aggregate subscription price of HK$879 million), subject to possible adjustment if applicable, to Co-Lead or its nominee. The Subscription Shares represent approximately 39.4% of FCL's existing issued share capital consisting of 760,849,120 FCL Shares as at the Latest Practicable Date and approximately 28.3% of FCL's issued share capital to be enlarged by the Subscription Shares. The Subscription Shares will be accounted for as interest in associates of the Group as FCL and its subsidiaries will become associates of the Group upon Completion.

Group structure of FCL and its major operating subsidiaries with their respective principal activities immediately before Completion.



Group structure of FCL and its major operating subsidiaries with their respective principal activities immediately after Completion.



Consideration and payment

The aggregate consideration for the Subscription Shares is HK$879 million, subject to the following possible adjustment if applicable:

According to the Agreement, if FCL's audited consolidated net asset value as at 31 March 2014 (the "Audited NAV") is either larger or smaller than HK$2,227,494,000 (being FCL's unaudited consolidated net asset value as at 31 March 2014) by more than HK$100,000,000, the subscription price per Subscription Share shall be revised as follows:

$$\text{new subscription price per Subscription Share} = \frac{\text{Audited NAV}}{760{,}849{,}120}$$

and the aggregate subscription price shall be adjusted accordingly; however, irrespective of whether the aggregate subscription price is adjusted, the total number of Subscription Shares shall remain the same as 300,000,000.

For a change in the classification of the Company's size tests for the Acquisition, the consideration amount for the Acquisition will theoretically need to:

(a) adjust up by more than HK$197 million or 22.4% to result in a change from Major Transaction to Very Substantial Acquisition; or

(b) adjust down by more than HK$610 million or 69.4% to result in a change from Major Transaction to Discloseable Transaction.

As disclosed in the Announcements, the possible adjustment to the consideration amount depends on the difference (if exceeding HK$100 million) between the amount of FCL's unaudited NAV and the amount of FCL's audited NAV, both as at 31 March 2014. As FCL is a wholly-owned subsidiary of Freeman (which is a listed company in Hong Kong), the Company does not anticipate FCL to adjust its NAV by 22.4% up or 69.4% down. As shown in the financial information of FCL Group set out in Appendix II of this circular, FCL's Audited NAV as at 31 March 2014 is approximately HK$2,203 million, which is within the range anticipated in the Agreement; hence, no adjustment to the consideration amount in respect of the Acquisition is required eventually.

The consideration will be paid by Co-Lead to FCL in cash upon Completion. The Company intends to finance the payment of the consideration by the Group's internal financial resources. As at the date of this circular, the Company does not see the need to carry out fund raising activities to finance the payment of the consideration. The internal financial resources mentioned in the Announcements will be built up by the Group by realizing part of its currents assets into cash. As shown in the Company's annual report 2013, the Group's net current assets as at 31 December 2013 amounted to approximately HK$1,168 million, which should be more than enough to finance the payment of the consideration.

Ranking of Subscription Shares

The Subscription Shares, when fully paid and issued, will rank pari passu with other FCL Shares in issue on the date of allotment and issue of the Subscription Shares. There is no restrictions on subsequent sale of the Subscription Shares.

Nomination of director(s)

Co-Lead shall be entitled at any time as a shareholder of FCL to nominate candidate(s) to serve as director(s) of FCL in proportion to Co-Lead's shareholding in FCL.

Conditions precedent of the Agreement

The Agreement is conditional upon:-

(a) the passing of necessary resolution(s) by FCL's shareholders (if required), Freeman's shareholders and the Company's shareholders respectively to approve the entering into the Agreement and the transactions contemplated thereunder;

(b) all necessary approvals from the relevant government or regulatory authorities in British Virgin Islands, Hong Kong and Cayman Islands required of either FCL or Co-Lead for the consummation of the transactions contemplated under the Agreement having been obtained; and

(c) Co-Lead having conducted and completed due diligence on all business, assets and liabilities, legal and financial matters of FCL Group and all such other matters as deemed necessary.

The Agreement has not provided for any of the conditions precedent to be waivable. The conditions precedent must be fulfilled not later than 31 October 2014 (or such later date as agreed by Co-Lead and FCL in writing), failing which the Agreement shall lapse and the parties to the Agreement shall be released from all obligations under the Agreement, save for any liability arising out of any antecedent breaches.

Completion of the Agreement

Completion of the Agreement will take place in whole or in part on one or more date(s) upon FCL having allotted and issued all the Subscription Shares and Co-Lead having paid the entire subscription price of all the Subscription Shares within the first thirty Business Days after fulfillment of the conditions precedent of the Agreement.

INFORMATION ON FCL

FCL is a company incorporated in the Cayman Islands with limited liability and with principal business as investment holding. FCL and its subsidiaries are principally engaged in the financial services sector, including the provision of securities brokerage services, the provision of insurance brokerage and financial planning services, the provision of corporate finance advisory services, trading of securities, provision of finance, as well as investment holding. Certain subsidiaries of FCL have obtained the licenses to carry on regulated activities (type 1: dealing in securities and type 6: advising on corporate finance) governed by the SFO in Hong Kong. With reference to Freeman's announcement dated 9 June 2014, it is noted that a subsidiary of FCL has entered into an agreement (not completed up to the Latest Practicable Date) to purchase 100% equity interest in a licensed corporation carrying on business in type 2 (dealing in future contracts) regulated activity as defined under the SFO so as to provide a more comprehensive range of financial services.

Apart from the Acquisition, the Group has through another wholly-owned subsidiary (namely, Willie Link Limited) executed a joint venture arrangement with another wholly-owned subsdiairy of

Freeman (namely, Freeman Financial Services Limited, "FFSL") to jointly hold both parties' investment in HEC Capital Limited through a newly incorporated joint venture company called Freewill Holdings Limited. This joint venture arrangement, as mentioned in the Company's announcement dated 20 June 2014, is not related to the Acquisiton because FCL and FFSL are fellow subsidiaries under different arms of Freeman.

As at the Latest Practicable Date, FCL was an indirect wholly-owned subsidiary of Freeman, which is a listed company in Hong Kong. As at the Latest Practicable Date, the Company held 23,438,649 shares of Freeman and Mr. Wong Ying Seung, Asiong, Vice Chairman of the Company, held 40 shares of Freeman representing about 6.81% and much less than 0.01% respectively of the issued share capital of Freeman. As Mr. Wong's aforesaid interest in Freeman was considered by the Board as insignificant, Mr. Wong was not restricted from voting at the Company's board meeting for approving the Acquisiton. Mr. Cheung Wing Ping, an executive director of the Company, is also an independent non-executive director of Freeman and Mr. Cheung therefore voluntarily abstained from voting at the Company's board meeting for approving the Acquisiton. According to information provided by Freeman, a wholly-owned subsidiary of Freeman held 37,406,335 shares of the Company representing about 4.97% of the issued share capital of the Company and directors of Freeman did not hold any interest discloseable under Part XV of the SFO in the issued share capital of the Company as at the Latest Practicable Date. To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, FCL, Freeman and their ultimate beneficial owners (save as disclosed above) are third parties independent of the Company and its connected persons as defined under the Listing Rules.

According to FCL's audited financial statements as included in Appendix II to this circular, the value of the audited consolidated net assets of FCL Group as at 31 March 2014 was approximately HK$2,203 million. Further financial information as provided by FCL about FCL Group's profitability is set out as below:

	For the year ended 31 March 2014 (audited) *(HK$ 000)*	**For the year ended 31 March 2013 (audited)** *(HK$ 000)*
Profit before taxation	585,920	250,657
Profit after taxation	583,174	248,865

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group would like to acquire the Subscription Shares in order to participate in the development of a group of companies principally engaged in securities trading and provision of financial services with growth potential. The Acquisition would facilitate merging of financial resources, experience and expertise of the Group and Freeman Group to bring the development of FCL into a new chapter, creating value to its shareholders including the Group. As such, the Board has decided to invest in FCL rather than making passive investments in listed securities and considers the Acquisition as a concrete step to develop the strategic alliance with Freeman Group. The Board believes that such a strategic alliance would facilitate merging of financial resources, experience and expertise between the Group and Freeman Group to develop FCL Group's financial service businesses. The combined forces of the Group and Freeman Group are expected to fortify confidence of FCL Group's customers and to strengthen FCL Group's working capital, which are advantageous to FCL Group's revenue and profitability. The Board believes that the Group's sharing of FCL Group's profitability in the future would be beneficial to the Company and its shareholders as a whole.

As mentioned in the section titled "Consideration and payment" above, the value of the unaudited consolidated net assets of FCL as at 31 March 2014 known to the Board at the time of signing the Agreement was approximately HK$2,227 million. This value exceeds the Group's latest audited consolidated net asset value (i.e. approximately HK$1,811 million) as at 31 December 2013; hence, the Board needs to assess the Group's financial resources when determining the amount of FCL's equity interest to be acquired. It was also mentioned that the Company intends to finance the consideration using the Group's internal financial resources, meaning that the Group's net current assets other than cash would be realized into cash shortly. The value of the Group's latest audited consolidated net current assets (inclusive of cash) was approximately HK$1,168 million as at 31 Decmeber 2013. Taking this amount into account, the Board has considered that the subscription of 300,000,000 FCL Shares at the aggregate consideration of HK$879 million (subject to possible adjustment at the time of signing the Agreement) can be financed by the Group's internal financial resources comfortably without the need to carry out fund raising activities. As such, the Board does not have any intention to acquire further equity interest in FCL up to the date of this circular.

Upon completion of the Acquisition, the Group through Co-Lead will be entitled to nominate candidate(s) to serve as director(s) of FCL in proportion to Co-Lead's shareholding in FCL. By participating in FCL's management at its board level together with the shareholding interest in FCL, the Group expects to work with Freeman Group in formulating FCL's operational and financial policies. The Board expects to share the Group's experience and expertise in securities trading and money lending with FCL, which has carried on the same lines of business among others. The subscription money of HK$879 million to be contributed by the Group to FCL will significantly strengthen FCL's working capital to support its business expansion in the future. FCL Group has informed the Group that the additional working capital can strengthen the capital base for money lending business to diversify its customer network as well as for its securiites investment trading and investment holding businesses to create more business opportunities to invest into investment/assets with capital appreciation potentials.

The subscription price of HK$2.93 per Subscription Share was determined after arm's length negotiation between the Group and Freeman Group with reference to FCL's unaudited consolidated net asset value per share of approximately HK$2.93 as at 31 March 2014. While FCL recorded substantial profits in the last two financial years as mentioned in the section titled "Information on FCL" above and FCL's prospects of business expansion to be supported by the additional working capital from the consideration of the Acquisition payable by the Group, the Group succesfully negotiated with Freeman Group on not paying any premium above FCL's unaudited consolidated net asset value per share when fixing the subscription price under the Agreement. Hence, the Board (with Mr. Cheung Wing Ping abstaining from voting as he is also an independent non-executive director of Freeman) has considered that the terms of the Acquisition are on normal commercial terms, fair and reasonable and are in the interests of the Company and its Shareholders as a whole.

Shareholders and potential investors who wish to deal in the shares of the Company should note that completion of the Acquisition is subject to the satisfaction of the conditions precedent contained in the Agreement and it may or may not proceed; and therefore, they are advised to exercise caution when dealing in the shares of the Company.

FINANCIAL EFFECTS OF THE ACQUISITION

Upon Completion, the Group would own approximately 28.3% equity interest in FCL. FCL Group will then become associates of the Group and a proportionate share of profit or loss and net assets of FCL Group will be consolidated into the consolidated financial statements of the Enlarged Group. The unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular is prepared as if the Acquisition had been completed on 31 December 2013 (i.e. the year end date of the Group's latest published consolidated financial statements) to illustrate the financial effects of the Acquisition.

Assets and Liabilities

As set out in the unaudited pro forma financial information of the Enlarged Group in Appendix IV to this circular, the total assets less current liabilities of the Enlarged Group would slightly decrease from approximately HK$1,811 million to approximately HK$1,808 million as a result of the Acquisition.

Upon Completion, the Enlarged Group's non-curent assests would increase from approximately HK$643 million to approximately HK$1,522 million, reflecting the cost of the Acquisition. Meanwhile, the Enlarged Group's current assets would decrease from approximately HK$1,176 million to approximately HK$294 million upon Completion, reflecting the Company's intention to realise part of the Group's current assets into cash to finance the Acquisition.

As set out in the unaudited pro forma financial information of the Enlarged Group in Appendix IV to this circular, the total liabilities of the Enlarged Group would slightly increase from approximately HK$7 million to approximately HK$7.9 million as a result of the Acquisition.

Earnings

Upon Completion, FCL Group will become associates of the Group and approximately 28.3% of the net profit or loss of FCL Group accrued since the date of Completion will be consolidated into the Enlarged Group's consolidated financial statements.

INFORMATION ON THE COMPANY

The Company is incorporated in Hong Kong with limited liability. The principal business activities of the Group are investment in securities trading, money lending, property investment and investment holding.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio in relation to the Acquisition calculated in accordance with the Listing Rules exceeds 25% but is less than 100%, the Acquisition constitutes a major transaction of the Company pursuant to the Listing Rules and are subject to the reporting, announcement and shareholders' approval requirements thereunder.

As at the Latest Practicable Date, FCL was an indirect wholly-owned subsidiary of Freeman, which is a listed company in Hong Kong. As at the Latest Practicable Date, the Company held 23,438,649 shares of Freeman and Mr. Wong Ying Seung, Asiong, Vice Chairman of the Company, held 40 shares of Freeman, representing about 6.81% and much less than 0.01% respectively of the issued share capital of Freeman. According to information provided by Freeman, a wholly-owned subsidiary of Freeman held 37,406,335 shares of the Company representing about 4.97% of the issued share capital of the Company.

The Board considers that Mr. Wong Ying Seung, Asiong's insignificant shareholding in Freeman would not constitute any material interest in the Agreement and would not require Mr. Wong to abstain from voting on the resolution at the GM. Meanwhile, the Company has required the subsidiary of Freeman to abstain from voting in respect of its 37,406,335 shares of the Compay on the ordinary resolution at the GM so as to avoid conflict of interests. Save as disclosed, there is no other Shareholders required to abstain from voting on the resolution at the GM.

GM

A notice convening the GM to be held at 30th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong at 10:00 a.m. on Thursday, 4 September 2014 is set out on pages 105 to 106 of this circular. A form of proxy for use by the Shareholders at the GM is enclosed.

Whether or not you intend to attend and vote at the GM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for holding the GM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending or voting in person at the GM or any adjournment thereof should you so wish.

The ordinary resolution proposed to be approved at the GM will be taken by poll and an announcement will be made by the Company following the conclusion of the GM to inform the Shareholders of the results.

RECOMMENDATION

The Board (with Mr. Cheung Wing Ping voluntarily abstaining from voting as he is also an independent non-executive director of Freeman) including the Independent Non-executive Directors holds the view that the proposed Acquisition is fair and reasonable and in the interests of the Company and the Shareholders as a whole. Therefore, the Board recommends the Shareholders to vote in favour of the resolution to be proposed at the GM to approve the Agreement and transactions contemplated thereunder including the Acquisition.

Yours faithfully,
By Order of the Board
WILLIE INTERNATIONAL HOLDINGS LIMITED
Dr. Chuang Yueheng, Henry
Chairman

1. SUMMARY OF THE FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group for the past three years ended 31 December, 2011, 2012 and 2013 has been published in the annual reports of the Company for the years ended 31 December 2011, 2012 and 2013 respectively.

2. WORKING CAPITAL STATEMENT

The Directors, after due and careful enquiry, are of the opinion that taking into account the present financial resources available to the Enlarged Group including but not limited to its internally generated funds, cash and cash equivalents on hands and available facilities from banks and brokers, the Enlarged Group has sufficient working capital for its present requirements, that is for at least the next twelve months from the date of this circular.

3. INDEBTEDNESS STATEMENT

Borrowings

As at the close of business on 30 June 2014, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the total indebtedness of the Enlarged Group amounted to approximately HK$18,318,000, including (i) a bank loan of approximately HK$4,273,000 secured by the Group's investment properties with carrying value of HK$11,500,000 and corporate guarantee provided by the Company; (ii) margin loans of approximately HK$3,967,000 provided by certain brokers which was interest bearing at the interest rate ranging from around 5% to 12% per annum and secured by the Group's financial assets at fair value through profit or loss amounted to approximately HK$956,288,000; (iii) an unsecured bond with principal amount of HK$10,000,000, which was interest bearing at 5% per annum and repayable in May 2021, and (iv) bond interest payable of approximately HK$78,000.

Margin facilities

As at the close of business on 30 June 2014, the Group's available-for-sale financial assets and financial assets at fair value through profit or loss of approximately HK$18,595,000 and HK$1,016,077,000 respectively, were pledged to certain brokers to secure margin facilities amounted to approximately HK$453,839,000 granted to the Group, for which HK$3,967,000 were utilised as at 30 June 2014 which were subsequently settled in July 2014.

Contingent liabilities

As at the close of business on 30 June 2014, the Company had provided corporate guarantee for banking facilities amounting to HK$13,709,000 granted to an ex-subsidiary, which were utilised to the extent of HK$13,709,000. As at the Latest Practicable Date, there was no present obligation for the Company under the guarantee contract as the Directors considered that it was not probable that the repayment of the loan would be in default.

Commitments

As at the close of business on 30 June 2014, the Group had commitment authorised but not contracted for in respect of subscription of additional shares of its associate in Bhutan amounted to approximately HK$12,915,000.

Save as aforesaid and apart from intra-group liabilities, at the close of business on 30 June 2014, the Enlarged Group did not have any outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptance (other than under normal trade bills) or acceptance credits, debt securities (whether issued and outstanding or authorised or otherwise created but unissued), guarantees or other material contingent liabilities.

Save as aforesaid, the Directors confirmed that there had been no material changes to the indebtedness and contingent liabilities of the Enlarged Group since 30 June 2014 and up to the Latest Practicable Date.

4. FINANCIAL AND TRADING PROSPECT OF THE GROUP AND MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

During the year ended 31 December 2013 (the "Year"), the Group was able to capture on opportunities arising from successful execution of our investment strategy. The Group performed favourably in the local stock market, resulting in a net gain of approximately HK$89 million (2012: a loss of approximately HK$13 million) before unallocated expenses for the Group's securities trading segment. Meanwhile, the investment holding segment registered a net gain of approximately HK$4 million (2012: a loss of approximately HK$117 million).

For the property investment segment, the Group was cautious of the measures introduced by the government to cool down the local property market and therefore had not acquired additional properties during the Year. The rental income remained at a relatively stable amount of approximately HK$0.4 million for the Year (2012: approximately HK$0.3 million) . The fair value gain on investment property of approximately HK$2 million recorded in the year 2012 reduced to approximately HK$0.3 million during the Year, reflecting that local property market has stabilized as a result of the government's policies.

With strong working capital resources, the Group has expanded the money lending business. This segment generated an interest income of approximately HK$9 million (2012: approximately HK$7 million) and reported a profit of approximately HK$15 million (2012: a loss of approximately HK$5 million) with the net reversal of allowance for doubtful debts of approximately HK$7 million during the Year (2012: net provision of allowance for doubtful debts of approximately HK$10 million).

In accordance with the agreement relating to the Group's long-term investment in a hotel development project in the Kingdom of Bhutan, the Group injected a sum of US$5 million (equivalent to approximately HK$39 million) into the project company during the Year. The Group holds one-third of the equity capital of the project company incorporated in Bhutan under the name of "Bhutan Ventures Hospitality Private Limited", which has become an associate of the Group since August

2013. Development approvals for the planned five small luxury hotels in Bhutan have been obtained from the Bhutan government. The renowned hotel operator - Sustainable Luxury Management (Thailand) Limited trading as “Six Senses Resorts and Spas” has been appointed as the operator to assist in the design of the planned hotels and to manage daily operations in the future. The design of the planned hotels has been finalized by the architect together with our Bhutan partner (namely, Dasho Sangay Wangchuk) and construction work is expected to commence within the year 2014, ahead of the initial schedule date in year 2015. Apart from equity capital, the project company has planned to raise further funds by way of debt financing not requiring shareholders’ guarantee.

After the end of the Year, the shareholders of the Company approved the subdivision of each issued share into five (5) subdivided shares effective on 13 March 2014; hence, the number of issued shares of the Company has increased from 150,554,164 shares to 752,770,820 shares. The Board considers that the reduction in the market value per board lot of 10,000 shares in the Company as a result of the share subdivision will improve the trading liquidity of the shares in the Company, apart from the enabling the Company to broaden its shareholders’ base. Meanwhile, the new Companies Ordinance has come into operation from 3 March 2014 by which the authorised shares capital and the nominal value of the shares of all companies incorporated in Hong Kong including the Company have been abolished, and this would not result in any material adverse impact to the Group’s operations and financial conditions.

Global economic conditions remain mixed. The U.S. economy continues to improve gradually and the U.S. monetary policy has begun tightening liquidity in a modest pace so that its global impact is yet to be seen. The recent political crisis in Ukraine has cast uncertainty in the investment atmosphere across regions. Meanwhile, there are concerns about more defaults of financial products in China that may occur in the coming months. The Group continues to evaluate the impacts arising from global significant changes on the Hong Kong stock market as well as the local market sentiments to tune its portfolio for securities trading. While the Company will take a cautious and conservative approach in the evaluation and timing of potential projects or investments, the Group will look for attractive investment opportunities that may crop out when there is a looming change in liquidity worldwide. The Group will continue developing its money lending business targeting at creditworthy borrowers. When the local property market is expected to consolidate in the coming year, the Group will monitor opportunities to strengthen the Group’s rental property portfolio.

The following is the text of a report prepared for the purpose of incorporation in this circular, received from the independent reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

19 August 2014

The Board of Directors
Willie International Holdings Limited
32nd Floor, China United Centre
28 Marble Road
North Point
Hong Kong

Dear Sirs

We set out below our report on the financial information of Freeman Corporation Limited ("FCL", formerly known as Advance Best Limited) and its subsidiaries (hereinafter collectively referred to as the "FCL Group") comprising the combined income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the FCL Group for each of the years ended 31 March 2012, 2013 and 2014 (the "Relevant Periods"), and the combined statements of financial position of the FCL Group and the statements of financial position of FCL as at 31 March 2012, 2013 and 2014, together with the notes thereto (the "Financial Information"), prepared on the basis of presentation set out in note 2.1 of Section II below, for inclusion in the circular of Willie International Holdings Limited dated 19 August 2014 in connection with the proposed acquisition of equity interest in FCL.

FCL was incorporated as an exempted company with limited liability in the Cayman Islands on 28 June 2013. Pursuant to a group reorganisation (the "Reorganisation") as set out in note 1 of Section II below, which was completed on 8 August 2013, FCL became the holding company of the other subsidiaries comprising the FCL Group. Apart from the Reorganisation, FCL has not commenced any business or operation since its incorporation.

As at the date of this report, no statutory financial statements have been prepared for FCL as it is not subject to statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.

As at the end of the Relevant Periods, FCL has direct and indirect interests in the subsidiaries as set out in note 1 of Section II below. All companies now comprising the FCL Group have adopted 31 March as their financial year end date except for those otherwise indicated. The statutory financial statements of the companies now comprising the FCL Group were prepared in accordance with the relevant accounting principles applicable to these companies in the countries in which they were incorporated. Details of their statutory auditors during the Relevant Periods are set out in note 1 of Section II below.

For the purpose of this report, the sole director of FCL (the "FCL Director") has prepared the combined financial statements of the FCL Group (the "Underlying Financial Statements") in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The Underlying Financial Statements for each of the years ended 31 March 2012, 2013 and 2014 were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

FCL Director's responsibility

The FCL Director is responsible for the preparation of the Underlying Financial Statements and the Financial Information that give a true and fair view in accordance with HKFRSs, and for such internal control as the FCL Director determines is necessary to enable the preparation of the Underlying Financial Statements and the Financial Information that are free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

It is our responsibility to form an independent opinion on the Financial Information and to report our opinion thereon to you.

For the purpose of this report, we have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 *Prospectuses and the Reporting Accountant* issued by the HKICPA.

Opinion in respect of the Financial Information

In our opinion, for the purpose of this report and on the basis of presentation set out in note 2.1 of Section II below, the Financial Information gives a true and fair view of the state of affairs of the FCL Group and FCL as at 31 March 2012, 2013 and 2014 and of the combined results and cash flows of the FCL Group for each of the Relevant Periods.

I. FINANCIAL INFORMATION

(a) Combined income statements

	Notes	Year ended 31 March **2012** *HK$'000*	**2013** *HK$'000*	**2014** *HK$'000*
REVENUE	7	12,456	82,421	233,240
Cost of sales		—	(502)	(3,453)
Gross profit		12,456	81,919	229,787
Other income and gains	7	21,804	35,838	8,356
Fair value gains/(losses) on investments at fair value through profit or loss, net		(463,748)	186,340	395,954
General and administrative expenses		(23,106)	(27,319)	(29,614)
Other expenses, net		(6,667)	(1,398)	(2,000)
Finance costs	9	(22,826)	(24,723)	(16,563)
Share of profit of an associate		293	—	—
PROFIT/(LOSS) BEFORE TAX	8	(481,794)	250,657	585,920
Income tax expense	12	(2,197)	(1,792)	(2,746)
PROFIT/(LOSS) FOR THE YEAR		(483,991)	248,865	583,174
Attributable to:				
Owner of FCL	13	(485,240)	248,945	583,174
Non-controlling interest		1,249	(80)	—
		(483,991)	248,865	583,174

(b) **Combined statements of comprehensive income**

		Year ended 31 March		
	Note	**2012**	**2013**	**2014**
		HK$'000	*HK$'000*	*HK$'000*
PROFIT/(LOSS) FOR THE YEAR		(483,991)	248,865	583,174
OTHER COMPREHENSIVE INCOME/(LOSS)				
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:				
An available-for-sale investment:	18			
Change in fair value		(6,667)	17,068	16,521
Impairment loss reclassified to the combined income statements		6,667	1,398	—
Reclassification of cumulative gains to the combined income statements upon disposal		—	(18,466)	—
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		—	—	16,521
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		(483,991)	248,865	599,695
Attributable to:				
Owner of FCL		(485,240)	248,945	599,695
Non-controlling interest		1,249	(80)	—
		(483,991)	248,865	599,695

(c) **Combined statements of financial position**

	Notes	As at 31 March **2012** *HK$'000*	**2013** *HK$'000*	**2014** *HK$'000*
NON-CURRENT ASSETS				
Property, plant and equipment	15	3,990	3,885	2,716
Intangible asset	16	339	339	339
Available-for-sale investment	18	17,693	1,986	18,507
Loans receivable	19	—	1,411	748
Note receivable	21	7,711	7,711	—
Deferred tax assets	27	47	47	99
Total non-current assets		29,780	15,379	22,409
CURRENT ASSETS				
Accounts receivable	20	42,365	136,886	193,449
Loans receivable	19	2,007	4,623	301,792
Prepayments, deposits and other receivables	21	1,543	1,581	1,413
Investments at fair value through profit or loss	22	891,116	1,380,032	1,836,599
Amount due from the immediate holding company	25	97	158	23
Amounts due from fellow subsidiaries	25	783,807	799,467	6,217
Cash and bank balances	23	122,693	178,132	55,866
Total current assets		1,843,628	2,500,879	2,395,359
CURRENT LIABILITIES				
Accounts payable	24	2,304	11,853	363
Other payables and accruals		1,343	2,021	1,560
Interest-bearing other borrowings	26	268,142	303,506	208,731
Amount due to the ultimate holding company	25	3,075,667	3,442,008	1,059
Tax payable		2,244	2,852	2,771
Total current liabilities		3,349,700	3,762,240	214,484
NET CURRENT ASSETS/(LIABILITIES)		(1,506,072)	(1,261,361)	2,180,875
NET ASSETS/(LIABILITIES)		(1,476,292)	(1,245,982)	2,203,284
EQUITY/(DEFICIENCY IN ASSETS)				
Equity attributable to owner of FCL				
Issued capital	28	—	—	—
Reserves	29(a)	(1,492,170)	(1,245,982)	2,203,284
		(1,492,170)	(1,245,982)	2,203,284
Non-controlling interest		15,878	—	—
Total equity/(net deficiency in assets)		(1,476,292)	(1,245,982)	2,203,284

(d) **Combined statements of changes in equity**

	Notes	Attributable to owner of FCL								Non-controlling interest	Total equity
		Issued capital	Share premium account	Merger reserve	Available-for-sale investment revaluation reserve	Distributable reserve	Capital contribution reserve	Accumulated losses	Total		
		HK\$'000	HK\$'000	HK\$'000 (note 29(b))	HK\$'000	HK\$'000	HK\$'000 (note 29(c))	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2011		—	—	25,000	—	—	—	(1,056,661)	(1,031,661)	—	(1,031,661)
Profit/(loss) for the year		—	—	—	—	—	—	(485,240)	(485,240)	1,249	(483,991)
Other comprehensive income/(loss) for the year:											
An available-for-sale investment:	18										
Change in fair value		—	—	—	(6,667)	—	—	—	(6,667)	—	(6,667)
Impairment loss reclassified to the combined income statements		—	—	—	6,667	—	—	—	6,667	—	6,667
Total comprehensive income/(loss) for the year		—	—	—	—	—	—	(485,240)	(485,240)	1,249	(483,991)
Capital contribution by the ultimate holding company		—	—	—	—	—	24,360	—	24,360	—	24,360
Deemed disposal of interest in a subsidiary	30(b)	—	—	—	—	371	—	—	371	14,629	15,000
At 31 March 2012 and 1 April 2012		—	—*	25,000*	—*	371*	24,360*	(1,541,901)*	(1,492,170)	15,878	(1,476,292)
Profit/(loss) for the year		—	—	—	—	—	—	248,945	248,945	(80)	248,865
Other comprehensive income/(loss) for the year:											
An available-for-sale investment:	18										
Change in fair value		—	—	—	17,068	—	—	—	17,068	—	17,068
Impairment loss reclassified to the combined income statements		—	—	—	1,398	—	—	—	1,398	—	1,398
Reclassification of cumulative gains to the combined income statements upon disposal		—	—	—	(18,466)	—	—	—	(18,466)	—	(18,466)
Total comprehensive income/(loss) for the year		—	—	—	—	—	—	248,945	248,945	(80)	248,865
Acquisition of additional interest in a subsidiary	30(c)	—	—	—	—	(2,757)	—	—	(2,757)	(15,798)	(18,555)
At 31 March 2013		—	—*	25,000*	—*	(2,386)*	24,360*	(1,292,956)*	(1,245,982)	—	(1,245,982)

		Attributable to owner of FCL									
	Notes	Issued capital	Share premium account	Merger reserve	Available-for-sale investment revaluation reserve	Distributable reserve	Capital contribution reserve	Accumulated losses	Total	Non-controlling interest	Total equity
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(note 29(b))			*(note 29(c))*				
At 1 April 2013		—	—	25,000	—	(2,386)	24,360	(1,292,956)	(1,245,982)	—	(1,245,982)
Profit for the year		—	—	—	—	—	—	583,174	583,174	—	583,174
Other comprehensive income for the year:											
An available-for-sale investment:	18										
Change in fair value		—	—	—	16,521	—	—	—	16,521	—	16,521
Total comprehensive income for the year		—	—	—	16,521	—	—	583,174	599,695	—	599,695
Issue of new shares	28(b)	—	38,000	—	—	—	—	—	38,000	—	38,000
Capital contribution by the ultimate holding company		—	—	—	—	—	2,811,571	—	2,811,571	—	2,811,571
At 31 March 2014		—	38,000*	25,000*	16,521*	(2,386)*	2,835,931*	(709,782)*	2,203,284	—	2,203,284

* These reserve accounts comprise the combined debit reserves of HK$1,492,170,000 and HK$1,245,982,000 in the combined statements of financial position as at 31 March 2012 and 2013 and credit reserves of HK$2,203,284,000 in the combined statement of financial position as at 31 March 2014.

(e) **Combined statements of cash flows**

	Notes	**Year ended 31 March** 2012	2013	2014
		HK$'000	*HK$'000*	*HK$'000*
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(loss) before tax		(481,794)	250,657	585,920
Adjustments for:				
Finance costs	9	22,826	24,723	16,563
Share of profit of an associate		(293)	—	—
Interest income		(30,250)	(33,390)	(33,032)
Depreciation	8	867	1,258	1,188
Fair value losses/(gains) on investments at fair value through profit or loss, net		463,748	(186,340)	(395,954)
Gain on disposal of an available-for-sale investment	7	—	(18,466)	—
Gain on redemption of a note receivable	7	—	—	(77)
Loss on disposal/write-off of items of property, plant and equipment	8	32	19	134
Impairment of an available-for-sale investment	8	6,667	1,398	—
Impairment of a loan receivable	8	—	—	2,000
Reversal of impairment of a loan receivable	7	(526)	—	—
		(18,723)	39,859	176,742
Increase in accounts receivable		(5,943)	(82,345)	(40,351)
Decrease/(increase) in loans receivable		28,644	(3,993)	(293,137)
Decrease/(increase) in prepayments, deposits and other receivables		(892)	(38)	168
Increase in investments at fair value through profit or loss		(328,673)	(302,576)	(60,613)
Increase/(decrease) in accounts payable		2,146	9,549	(11,490)
Decrease in other payables and accruals		(50,238)	(311)	(461)
Decrease/(increase) in amount due from the immediate holding company		(2)	(61)	135
Decrease/(increase) in amounts due from fellow subsidiaries		(241,664)	5	799,466
Increase/(decrease) in amount due to the ultimate holding company		(266,619)	332,205	(638,256)
Cash used in operations		(881,964)	(7,706)	(67,797)
Interest received		12,226	5,515	5,235
Interest paid		(4,941)	(3,818)	(4,495)
Income tax paid		—	(1,184)	(2,879)
Net cash flows used in operating activities		(874,679)	(7,193)	(69,936)

	Notes	Year ended 31 March 2012	2013	2014
		HK$'000	*HK$'000*	*HK$'000*
Net cash flows used in operating activities		(874,679)	(7,193)	(69,936)
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to property, plant and equipment	15	(433)	(1,172)	(153)
Proceeds from disposal of an available-for-sale investment		425,729	32,775	—
Proceeds from redemption of a note receivable	21	—	—	7,788
Acquisition of a subsidiary	30(a)	35,375	—	—
Net cash flows from investing activities		460,671	31,603	7,635
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issue of new shares	28(b)	—	—	38,000
Proceeds from issue of new shares by a subsidiary	30(b)	15,000	—	—
Drawdown of other borrowings		168,000	514,012	570,416
Repayment of other borrowings		(38,000)	(474,024)	(606,690)
Increase/(decrease) in margin loan borrowings, net		72,709	(8,959)	(61,691)
Net cash flows from/(used in) financing activities		217,709	31,029	(59,965)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(196,299)	55,439	(122,266)
Cash and cash equivalents at beginning of each of the Relevant Periods		318,992	122,693	178,132
CASH AND CASH EQUIVALENTS AT END OF EACH OF THE RELEVANT PERIODS		122,693	178,132	55,866
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and bank balances		122,693	178,132	55,866

(f) **Statements of financial position of FCL**

	Notes	As at 31 March 2012 *HK$'000*	2013 *HK$'000*	2014 *HK$'000*
NON-CURRENT ASSET				
Investment in a subsidiary	17	—	—	376,155
CURRENT ASSETS				
Due from subsidiaries	17	—	—	2,469,720
CURRENT LIABILITIES				
Due to subsidiaries	17	—	—	3,380
NET CURRENT ASSETS		—	—	2,466,340
NET ASSETS		—	—	2,842,495
EQUITY				
Issued capital	28	—	—	—
Reserves	29(d)	—	—	2,842,495
Total equity		—	—	2,842,495

II. NOTES TO FINANCIAL INFORMATION

1. CORPORATE INFORMATION

FCL is an exempted company with limited liability incorporated in the Cayman Islands on 28 June 2013. The registered office of FCL is located at Suite#4-210, Governors Square, 23 Lime Tree Bay Avenue, P.O. Box 32311, Grand Cayman KY1-1209, Cayman Islands. The principal place of business of FCL is located at Room 2302, 23rd Floor, China United Centre, 28 Marble Road, North Point, Hong Kong.

FCL is an investment holding company. During the Relevant Periods, the FCL Group were principally engaged in the financial services sector, including the provision of securities brokerage services, the provision of insurance brokerage and financial planning services, the provision of corporate finance advisory services, trading of securities, the provision of finance, and the provision of management services, as well as investment holding.

During the year ended 31 March 2014 and up to the date of this report, Freeman Financial Corporation Limited ("Freeman"), a company incorporated in the Cayman Islands and is listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), which is also the ultimate holding company of FCL, and its subsidiaries (collectively the "Freeman Group") underwent the Reorganisation, which mainly involved (i) the incorporation of FCL on 28 June 2013; (ii) transfer of the entire share capital of certain subsidiaries previously held by Freeman (outside FCL Group) to FCL or wholly-owned subsidiaries of FCL; and (iii) transfer of the entire share capital of an indirect subsidiary which holds a 19.54% equity interest in an associate of the Freeman Group outside FCL Group.

As at the end of the Relevant Periods, FCL had direct and indirect interests in the following subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Company name	Place and date of incorporation and place of operations	Nominal value of issued ordinary share capital	Percentage of equity attributable to FCL		Principal activities
			Direct	Indirect	
Ambition Union Limited (1) (3)	British Virgin Islands/Hong Kong 9 November 2010	US$20,000,000	100%	—	Investment holding
Asia Hunter Global Limited (1)	British Virgin Islands/Hong Kong 2 July 1999	US$1	—	100%	Investment holding
Classic Rank Limited (1)	British Virgin Islands/Hong Kong 10 October 2000	US$1	—	100%	Investment holding

Company name	Place and date of incorporation and place of operations	Nominal value of issued ordinary share capital	Percentage of equity attributable to FCL Direct	Percentage of equity attributable to FCL Indirect	Principal activities
Dynastic Union Limited (1) (3)	British Virgin Islands/Hong Kong 21 January 2011	US$1	—	100%	Investment holding
Eastern Sunny Limited (4)	Hong Kong 27 November 2000	HK$2	—	100%	Provision of management services
Freeman Agency Services Limited (1)	British Virgin Islands/Hong Kong 8 January 1999	US$2	—	100%	Investment holding
Freeman China Limited (4)	Hong Kong 10 December 2005	HK$1	—	100%	Inactive
Freeman Corporate Finance Limited (1) (3)	British Virgin Islands/Hong Kong 16 February 2012	US$1	—	100%	Investment holding
Freeman Corporate Finance Limited (3) (4)	Hong Kong 17 February 2012	HK$200,000	—	100%	Provision of corporate finance advisory services
Freeman Corporation Limited (4)	Hong Kong 7 September 2010	HK$1	—	100%	Investment holding
Freeman Dynasty Money Lending Corporation Limited (2) (3)	Hong Kong 31 May 2011	HK$10,000	—	100%	Provision of finance
Freeman Dynasty Services Company Limited (2) (3)	Hong Kong 31 May 2011	HK$10,000	—	100%	Provision of management services
Freeman Financial Investment Limited (4)	Hong Kong 19 September 2011	HK$1	—	100%	Inactive
Freeman Insurance Services Limited (4)	Hong Kong 19 September 2011	HK$1	—	100%	Inactive
Freeman International Limited (4)	Hong Kong 10 December 2005	HK$1	—	100%	Inactive
Freeman Investment Management Limited (1) (3)	British Virgin Islands/Hong Kong 18 October 2007	US$1	—	100%	Investment holding
Freeman Investment Management Limited (3) (4)	Hong Kong 1 November 2011	HK$180,000	—	100%	Inactive

Company name	Place and date of incorporation and place of operations	Nominal value of issued ordinary share capital	Percentage of equity attributable to FCL		Principal activities
			Direct	Indirect	
Freeman Investment Services Limited (4)	Hong Kong 19 September 2011	HK$1	—	100%	Investment holding
Freeman Money Lending Corporation Limited (3) (4)	Hong Kong 21 January 2011	HK$1	—	100%	Provision of finance
Freeman Securities Limited ("FSL") (2) (3)	Hong Kong 12 July 2007	HK$250,000,000	—	100%	Securities brokerage, placing, underwriting, margin financing and trading of securities
Freeman Union Limited (1)	British Virgin Islands/Hong Kong 11 December 2013	—	—	100%	Investment holding
Freeman Nominee Services Limited (4)	Hong Kong 6 June 2006	HK$1	—	100%	Inactive
Freeman United Investments Limited (3) (4)	Hong Kong 22 December 2010	HK$1	—	100%	Investment holding
FU Securities Limited (1) (3)	British Virgin Islands/Hong Kong 21 January 2011	US$1	—	100%	Investment holding
Hansom Finance Limited (4)	Hong Kong 1 November 2000	HK$2	—	100%	Provision of finance
Harvest Financial Services Limited (1) (3)	British Virgin Islands/Hong Kong 8 November 2011	US$1	—	100%	Investment holding
Harvest Financial Services Limited (3) (4)	Hong Kong 7 November 2011	HK$200,000	—	100%	Provision of insurance brokerage services, financial planning and related services
Prime Kingdom Limited (4)	Hong Kong 27 November 2000	HK$2	—	100%	Inactive

Company name	Place and date of incorporation and place of operations	Nominal value of issued ordinary share capital	Percentage of equity attributable to FCL Direct	Percentage of equity attributable to FCL Indirect	Principal activities
Smart Jump Corporation [5]	British Virgin Islands/Hong Kong 9 November 1999	US$1	—	100%	Trading in securities
Supreme Host Holdings Limited[4]	Hong Kong 18 January 2007	HK$1	—	100%	Provision of management services
Wealth Union Finance Limited[1] [3]	British Virgin Islands/Hong Kong 21 January 2011	US$1	—	100%	Investment holding

Notes:

(1) No audited financial statements have been prepared for these entities for the years ended 31 March 2012, 2013 and 2014 (or since date of incorporation, where later than the beginning of the Relevant Periods) as these entities were not subject to statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.

(2) The statutory financial statements of these entities for years ended 31 March 2012, 2013 and 2014 (or since date of incorporation, where later than the beginning of the Relevant Periods) prepared under HKFRSs were audited by Chung & Yeung.

(3) These entities have adopted 31 December as their financial year end date.

(4) The statutory financial statements of these entities for the years ended 31 March 2012, 2013 and 2014 (or since date of incorporation, where later than the beginning of the Relevant Periods) prepared under HKFRSs were audited by Ernst & Young, Hong Kong.

(5) The financial statements of this entity for the years ended 31 March 2012, 2013 and 2014 prepared under HKFRSs were audited by Ernst & Young, Hong Kong.

2.1 BASIS OF PRESENTATION

Upon the completion of the Reorganisation, FCL became the holding company of the companies now comprising the FCL Group on 8 August 2013. The companies now comprising the FCL Group were under the common control of Freeman before and after the Reorganisation. Accordingly, for the purpose of this report, the Financial Information has been prepared on a combined basis by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Relevant Periods.

The combined income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the FCL Group for the Relevant Periods include the results and cash flows of all companies now comprising the FCL Group from the earliest date presented or since the date when the subsidiaries and/or businesses first came under the common control of

Freeman, where this is a shorter period. The combined statements of financial position of the FCL Group as at 31 March 2012, 2013 and 2014 have been prepared to present the assets and liabilities of the subsidiaries and/or businesses using the existing book values from Freeman's perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

Equity interests in subsidiaries and/or businesses held by parties other than Freeman and changes therein, prior to the Reorganisation are presented as non-controlling interest in equity in applying the principles of merger accounting.

All intra-group transactions and balances have been eliminated on combination.

2.2 BASIS OF PREPARATION

The Financial Information has been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA, and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 April 2011, together with the relevant transitional provisions, have been early adopted by the FCL Group in the preparation of the Financial Information throughout the Relevant Periods.

The Financial Information has been prepared under the historical cost convention except for an available-for-sale investment and certain investments at fair value through profit or loss, which have been measured at fair value. The Financial Information is presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

3. ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The FCL Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Financial Information.

HKFRS 9	*Financial Instruments*[5]
HKFRS 9, HKFRS 7 and HKAS 39 Amendments	*Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39*[5]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) — *Investment Entities*[1]
HKFRS 11 Amendments	Amendments to HKFRS 11 — *Accounting for Acquisitions of Interests in Joint Operations*[5]
HKFRS 14	*Regulatory Deferral Accounts*[3]
HKAS 16 and HKAS 18 Amendments	Amendments to HKAS 16 and HKAS 18 — *Clarification of Acceptable Methods of Depreciation and Amortisation*[5]
HKAS 19 Amendments	Amendments to HKAS 19 *Employee Benefits — Defined Benefit Plans: Employee Contributions*[2]

HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities*[1]
HKAS 39 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement — Novation of Derivatives and Continuation of Hedge Accounting*[1]
HK(IFRIC)-Int 21	*Levies*[1]
Annual Improvements 2010-2012 Cycle	Amendments to a number of HKFRSs issued in January 2014[4]
Annual Improvements 2011-2013 Cycle	Amendments to a number of HKFRSs issued in January 2014[4]

1 Effective for annual periods beginning on or after 1 January 2014

2 Effective for annual periods beginning on or after 1 July 2014

3 Effective for first annual HKFRS financial statements for a period beginning on or after 1 January 2016 and not applicable to the FCL Group

4 Generally effective for annual periods beginning, or transactions occurring, on or after 1 July 2014

5 No mandatory effective date yet determined but is available for adoption

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of combination

This Financial Information includes the financial statements of FCL and its subsidiaries now comprising the FCL Group for the Relevant Periods. The financial statements of the subsidiaries are prepared for the same reporting period as FCL, using consistent accounting policies.

As explained in note 2.1 of Section II above, the acquisition of subsidiaries under common control has been accounted for using the merger accounting. The acquisition of subsidiaries not under common control is accounted for using the acquisition method as explained below under "Business combinations and goodwill".

Profit or loss and each component of other comprehensive income are attributed to the owner of FCL of the FCL Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the FCL Group are eliminated in full on combination.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the FCL Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in the income statement. The FCL Group's share of components previously recognised in other comprehensive income is reclassified to the income statement or retained profits, as appropriate, on the same basis as would be required if the FCL Group had directly disposed of the related assets or liabilities.

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by FCL. Control is achieved when the FCL Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the FCL Group the current ability to direct the relevant activities of the investee).

When FCL has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the FCL Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the FCL Group's voting rights and potential voting rights.

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

Upon the disposal of investments in subsidiaries, any gain or loss arising thereon is included in the income statement and any amounts recognised in other comprehensive income in relation to those subsidiaries should be accounted for on the same basis as if the related assets or liabilities are directly disposed of by those subsidiaries.

Business combinations and goodwill

Business combinations other than those under common control are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the FCL Group, liabilities assumed by the FCL Group to the former owners of the acquiree and the equity interests issued by the FCL Group in exchange for control of the acquiree. For each business combination, the FCL Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the FCL Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in the income statement.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of HKAS 39 is measured at fair value with changes in fair value either recognised in the income statement or as a change to other comprehensive income. If the contingent consideration is not within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the FCL Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in the income statement as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The FCL Group performs its annual impairment test of goodwill as at 31 March. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the FCL Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the FCL Group are assigned to those units or groups of units.

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

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The FCL Group measures its available-for-sale investment and equity and debt investments at fair value at the end of each of the Relevant Periods. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the FCL Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The FCL Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Financial Information are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the Financial Information on a recurring basis, the FCL Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each of the Relevant Periods.

Impairment of non-financial assets

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

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

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

Related parties

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

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the FCL Group;

(ii) has significant influence over the FCL Group; or

(iii) is a member of the key management personnel of the FCL Group or of a parent of the FCL Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the FCL Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the FCL Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the FCL Group or an entity related to the FCL Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the FCL Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

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

Leasehold improvements	Over the shorter of the lease terms and 15%
Furniture, fixtures and equipment	15%
Computer equipment	33⅓%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

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

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Trading right

Trading right represents the eligibility right to trade on or through the Stock Exchange with an indefinite useful life. It is carried at cost less any impairment losses.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable under operating leases are charged to the income statement on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets of the FCL Group are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial investments, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

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

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term.

Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the combined statements of financial position at fair value with net changes in fair value recognised in the income statement. These net fair value changes do not include any dividends on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designed at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the income statement. The loss arising from impairment is recognised in the income statement.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the income statement in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the income statement. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the income statement in accordance with the policies set out for "Revenue recognition" below.

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

The FCL Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the FCL Group is unable to trade these financial assets due to inactive markets, the FCL Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to the income statement over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the FCL Group's combined statement of financial position) when:

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

When the FCL Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the FCL Group continues to recognise the transferred asset to the extent of the FCL Group's continuing involvement. In that case, the FCL Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the FCL Group has retained.

Impairment of financial assets

The FCL Group assesses at the end of each of the Relevant Periods whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the FCL Group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the FCL Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the FCL Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the FCL Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in the income statement.

Assets carried at cost

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

Available-for-sale financial investments

For available-for-sale financial investments, the FCL Group assesses at the end of each of the Relevant Periods whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is removed from other comprehensive income and recognised in the income statement.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement — is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement. Increases in their fair value after impairment are recognised directly in other comprehensive income.

Financial liabilities

Initial recognition and measurement

Financial liabilities of the FCL Group are classified, at initial recognition, as loans and borrowings.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the income statement.

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the combined statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

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

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

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of each of the Relevant Periods of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside the income statement is recognised outside the income statement, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods, taking into consideration interpretations and practices prevailing in the countries in which the FCL Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each of the Relevant Periods between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

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

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

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

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

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each of the Relevant Periods and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each of the Relevant Periods and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods.

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

Revenue recognition

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

(a) income from the sale of equity and debt securities, on a trade-date basis;

(b) dividend income, when the shareholders' right to receive payment has been established;

(c) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset;

(d) insurance brokerage income, on the inception of the associated insurance policy;

(e) corporate finance advisory income, when the relevant service has been rendered;

(f) commission and brokerage income from securities dealings, on a trade-date basis;

(g) underwriting and placing commission income, when the relevant service has been rendered; and

(h) management fee income, when the relevant service has been rendered.

Employee benefits

Retirement benefit scheme

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

Foreign currencies

The Financial Information are presented in Hong Kong dollars, which is FCL 's functional and presentation currency. Each entity in the FCL Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the FCL Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each of the Relevant Periods. Differences arising on settlement or translation of monetary items are recognised in the income statement.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or the income statement is also recognised in other comprehensive income or the income statement, respectively).

5. **SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

The preparation of the FCL Group's Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of loans receivable

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

Impairment of accounts receivable

The provision for impairment of accounts receivable of the FCL Group is based on the evaluation of collectibility and the aging analysis of the receivables and on the judgement of management. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of the customers. Management reassesses the estimation regularly throughout the Relevant Periods.

Impairment of available-for-sale financial assets

The FCL Group classifies certain assets as available for sale and recognises movements of their fair values in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in the income statement.

Measurement of unlisted investments at fair value

The fair values of financial instruments that are not traded in an active market are estimated by management based on the valuation performed by independent qualified valuers by using valuation techniques that require various sources of information and assumptions. The carrying amounts of the FCL Group's unlisted investments at fair value through profit or loss as at 31 March 2012 and 2013 were approximately HK$5,905,000 and HK$7,585,000, respectively. Further details are given in notes 22 and 36 to the Financial Information.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The amounts of unrecognised tax losses at 31 March 2012, 2013 and 2014 were HK$1,562,657,000, HK$1,335,539,000 and HK$823,783,000. Further details are contained in note 27 to the Financial Information.

6. OPERATING SEGMENT INFORMATION

For management purposes, the FCL Group is organised into business units based on their products and services and has reportable operating segments as follows:

(a) the trading of securities segment engages in the purchase and sale of securities and the securities investment;

(b) the provision of finance segment engages in the provision of financing services in Hong Kong;

(c) the insurance brokerage business segment engages in insurance brokerage business and the provision of financial planning and related services;

(d) securities brokerage, placing, underwriting and margin financing in Hong Kong;

(e) the investment holding segment engages in holding investments for continuing strategic or long term purposes, primarily for their dividend income and capital appreciation and the provision of management services to the ultimate holding company and fellow subsidiaries; and

(f) the corporate finance advisory segment engages in corporate finance advisory services and related activities.

Management monitors the results of the FCL Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the FCL Group's profit/(loss) before tax except that bank and other interest income (excluding interest income from provision of finance), finance costs as well as head office and corporate expenses are excluded from such measurement.

Intersegment transactions are made with reference to the prices used for services made to third parties at the then prevailing market prices.

Year ended 31 March 2012/As at 31 March 2012

	Trading of securities	Provision of finance	Insurance brokerage business	Securities brokerage, placing, underwriting and margin financing	Investment holding	Corporate finance advisory	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:							
Sales to external customers	(25,755)	11,221	—	13,336	13,654	—	12,456
Intersegment sales	—	—	—	—	4,320	—	4,320
	(25,755)	11,221	—	13,336	17,974	—	16,776
Reconciliation:							
Elimination of intersegment sales							(4,320)
Total revenue							12,456
Segment results	(486,502)	10,489	—	8,294	(5,498)	—	(473,217)
Reconciliation:							
Bank interest income							3
Other interest income							17,224
Corporate and other unallocated expenses							(2,978)
Finance costs							(22,826)
Loss before tax							(481,794)
Other segment information:							
Impairment of an available-for-sale investment	—	—	—	—	(6,667)	—	(6,667)
Reversal of impairment of a loan receivable	—	526	—	—	—	—	526
Depreciation							
- operating segment	—	—	—	(98)	(763)	—	(861)
- unallocated							(6)
							(867)
Capital expenditure							
- operating segment	—	—	—	679	70	—	749
- unallocated							273
							1,022*

* Capital expenditure consists of additions to property, plant and equipment, an intangible asset and assets from acquisition of a subsidiary.

Year ended 31 March 2013/As at 31 March 2013

	Trading of securities	Provision of finance	Insurance brokerage business	Securities brokerage, placing, underwriting and margin financing	Investment holding	Corporate finance advisory	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:							
Sales to external customers	44,739	4,559	626	23,842	6,720	1,935	82,421
Intersegment sales	—	—	—	—	4,320	—	4,320
	44,739	4,559	626	23,842	11,040	1,935	86,741
Reconciliation:							
Elimination of intersegment sales							(4,320)
Total revenue							82,421
Segment results	231,161	4,242	38	17,048	10,975	934	264,398
Reconciliation:							
Bank interest income							59
Other interest income							16,596
Corporate and other unallocated expenses							(5,673)
Finance costs							(24,723)
Profit before tax							250,657
Other segment information:							
Impairment of an available-for-sale investment	—	—	—	—	(1,398)	—	(1,398)
Depreciation							
- operating segment	—	—	—	(410)	(792)	—	(1,202)
- unallocated							(56)
							(1,258)
Capital expenditure							
- operating segment	—	—	—	940	194	—	1,134
- unallocated							38
							1,172*

* Capital expenditure represents additions to property, plant and equipment.

Year ended 31 March 2014/As at 31 March 2014

	Trading of securities	Provision of finance	Insurance brokerage business	Securities brokerage, placing, underwriting and margin financing	Investment holding	Corporate finance advisory	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:							
Sales to external customers	164,290	9,392	4,380	46,728	5,520	2,930	233,240
Intersegment sales	—	—	—	—	6,000	—	6,000
	164,290	9,392	4,380	46,728	11,520	2,930	239,240
Reconciliation:							
Elimination of intersegment sales							(6,000)
Total revenue							233,240
Segment results	560,071	2,726	875	41,655	(7,645)	2,897	600,579
Reconciliation:							
Bank interest income							11
Other interest income							7,417
Corporate and other unallocated expenses							(5,524)
Finance costs							(16,563)
Profit before tax							585,920
Other segment information:							
Impairment of a loan receivable	—	(2,000)	—	—	—	—	(2,000)
Depreciation							
- operating segment	—	—	—	(366)	(765)	—	(1,131)
- unallocated							(57)
							(1,188)
Capital expenditure							
- operating segment	—	—	—	65	88	—	153
- unallocated							—
							153*

* Capital expenditure represents additions to property, plant and equipment.

Geographic information

(a) The FCL Group's revenue is derived from its external customers and the ultimate holding company in Hong Kong.

(b) Non-current assets

	As at 31 March		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Hong Kong	4,329	4,224	3,055

The non-current asset information above is based on the location of assets and excludes financial instruments and deferred tax assets.

Information about major customers

Included in revenue arising from major customers individually accounted for over 10% of the FCL Group's revenue for the year:

	Year ended 31 March		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Provision of finance			
Customer A	7,897	—	—
Customer B	2,893	—	—
	10,790	—	—
Securities, brokerage, placing, underwriting and margin financing			
Customer C	3,326	—	—
Customer D	—	3,279	—
Customer E	—	—	13,125
	3,326	3,279	13,125

The FCL Group's dividend income, gains/(losses) from the sale of investments at fair value through profit or loss and management fee income from the ultimate holding company are excluded from total revenue for the purpose of identifying major customers of the FCL Group who accounted for over 10% of the FCL Group's revenue.

7. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the FCL Group's turnover, represents interest income earned from provision of finance; dividend income from equity investments; net gains/(losses) from the sale of investments at fair value through profit or loss; insurance brokerage income; corporate finance advisory fee; commission and brokerage income from securities dealings; commission from underwriting and placing services; interest income on margin financing activities and management fee income from the ultimate holding company during the Relevant Periods.

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

		Year ended 31 March		
		2012	**2013**	**2014**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Revenue				
Interest income from provision of finance		11,221	4,559	9,392
Dividend income from investments at fair value through profit or loss		12,579	19,115	56,869
Dividend from an available-for-sale investment		5,974	—	—
Gains/(losses) from the sale of investments at fair value through profit or loss, net (note)		(38,334)	25,624	107,421
Insurance brokerage income		—	626	4,380
Corporate finance advisory fee		—	1,935	2,930
Commission and brokerage income from securities dealings		1,179	1,045	3,117
Commission from underwriting and placing services		10,355	10,621	27,399
Interest income on margin financing activities		1,802	12,176	16,212
Management fee income from the ultimate holding company		7,680	6,720	5,520
		12,456	82,421	233,240
Other income and gains				
Bank interest income		3	59	11
Other interest income		1,002	931	1,201
Interest income on an amount due from a fellow subsidiary		16,222	15,665	6,216
Gain on disposal of an available-for-sale investment	18	—	18,466	—
Gain on redemption of a note receivable	21	—	—	77
Reversal of impairment of a loan receivable		526	—	—
Others		4,051	717	851
		21,804	35,838	8,356

Note: The gross proceeds from sale of investments at fair value through profit or loss were approximately HK$219,878,000, HK$209,498,000 and HK$422,395,000 for years ended 31 March 2012, 2013 and 2014, respectively.

8. PROFIT/(LOSS) BEFORE TAX

The FCL Group's profit/(loss) before tax is arrived at after charging/(crediting):

		Year ended 31 March		
	Notes	**2012**	**2013**	**2014**
		HK$'000	*HK$'000*	*HK$'000*
Depreciation	15	867	1,258	1,188
Employee benefit expense (excluding FCL Director's remuneration (note 10)):				
Salaries and allowances		9,546	10,393	9,053
Retirement benefit scheme contributions (defined contribution schemes)*		170	292	256
		9,716	10,685	9,309
Auditors' remuneration		510	660	880
Minimum lease payments under operating leases in respect of land and buildings		5,972	7,737	7,411
Loss on disposal/write-off of items of property, plant and equipment		32	19	134
Impairment of an available-for-sale investment**	18	6,667	1,398	—
Impairment of a loan receivable**	19	—	—	2,000
Reversal of impairment of a loan receivable	19	(526)	—	—

* At 31 March 2012, 2013 and 2014, the FCL Group had no material forfeited contributions available to reduce its contributions to the retirement benefit schemes in future years.

** These balances are included in "Other expenses, net" in the combined income statements.

9. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 March		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Interests on other loans wholly repayable within five years or on demand	5,645	9,142	7,685
Interest on an amount due to the ultimate holding company	17,181	15,581	8,878
	22,826	24,723	16,563

10. FCL DIRECTOR'S REMUNERATION

The remuneration of the FCL Director for each of the Relevant Periods, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange is as follows:

	Year ended 31 March		
	2012	2013	2014
	HK$'000	*HK$'000*	*HK$'000*
Fee	—	—	—
Other emoluments:			
Salaries and other benefits	1,040	1,000	1,008
Pension scheme contributions (defined contribution scheme)	52	50	50
	1,092	1,050	1,058
	1,092	1,050	1,058

The remuneration of the FCL Director for each of the Relevant Periods is set out below:

	Salaries and other benefits	Retirement benefit scheme contributions	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*
Year ended 31 March 2012			
Executive director:			
Mr. Lo Kan Sun	1,040	52	1,092
Year ended 31 March 2013			
Executive director:			
Mr. Lo Kan Sun	1,000	50	1,050
Year ended 31 March 2014			
Executive director:			
Mr. Lo Kan Sun	1,008	50	1,058

There was no arrangement under which the FCL Director waived or agreed to waive any remuneration during the Relevant Periods.

11. FIVE HIGHEST PAID EMPLOYEES

For the years ended 31 March 2012, 2013 and 2014, the five highest paid employees included the FCL Director. Details of whose remuneration are set out in note 10 above. Details of the remuneration of the remaining four non-director highest paid employees for each of the Relevant Periods are as follows:

	Year ended 31 March		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Salaries and other benefits	4,614	4,216	4,138
Retirement benefit scheme contributions (defined contribution schemes)	59	62	78
	4,673	4,278	4,216

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

	Year ended 31 March		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Nil to HK$500,000	—	1	—
HK$500,001 to HK$1,000,000	3	2	3
HK$1,000,001 to HK$1,500,000	—	—	—
Over HK$1,500,000	1	1	1
	4	4	4

12. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong for each of the Relevant Periods.

	Year ended 31 March		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
The FCL Group:			
Current - Hong Kong			
Charge for the year	2,244	1,792	2,800
Overprovision in prior year	—	—	(2)
Deferred (note 27)	(47)	—	(52)
Tax charge for the year	2,197	1,792	2,746

A reconciliation of the tax charge/(credit) applicable to profit/(loss) before tax at the Hong Kong statutory rate to the tax charge at the FCL Group's effective tax rate is as follows:

	Year ended 31 March		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Profit/(loss) before tax	(481,794)	250,657	585,920
Tax charge/(credit) at the Hong Kong statutory tax rate of 16.5%	(79,496)	41,358	96,677
Adjustments in respect of current tax of previous periods	—	—	(2)
Income not subject to tax	(3,097)	(3,744)	(9,699)
Expenses not deductible for tax	883	1,575	148
Temporary differences not recognised	(1,030)	73	62
Tax losses utilised from previous periods	(1,399)	(38,203)	(84,923)
Tax losses not recognised	86,384	733	483
Tax effect of share of result of an associate	(48)	—	—
Tax charge at the FCL Group's effective tax rate	2,197	1,792	2,746

The effective tax rate of the FCL Group for each of the years ended 31 March 2012, 2013 and 2014 was -0.46%, 0.71% and 0.47%, respectively.

13. PROFIT ATTRIBUTABLE TO OWNER OF FCL

The combined profit attributable to owner of FCL for the year ended 31 March 2014 includes a loss of HK$46,000 (note 29(d)) which has been dealt with in the Financial Information of FCL.

14. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDER OF FCL

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the preparation of the results of the FCL Group for the Relevant Periods as disclosed in note 1 of this section.

15. PROPERTY, PLANT AND EQUIPMENT

The FCL Group

	Leasehold improvements	Furniture, fixtures and equipment	Computer equipment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
31 March 2012				
At 1 April 2011:				
Cost	—	4,773	1,063	5,836
Accumulated depreciation	—	(829)	(801)	(1,630)
Net carrying amount	—	3,944	262	4,206
At 1 April 2011, net of accumulated depreciation	—	3,944	262	4,206
Additions	181	134	118	433
Acquisition of a subsidiary (note 30(a))	1	88	161	250
Disposals/write-off	—	(9)	(23)	(32)
Depreciation provided during the year	(3)	(683)	(181)	(867)
At 31 March 2012, net of accumulated depreciation	179	3,474	337	3,990
At 31 March 2012:				
Cost	182	4,962	1,236	6,380
Accumulated depreciation	(3)	(1,488)	(899)	(2,390)
Net carrying amount	179	3,474	337	3,990

The FCL Group

	Leasehold improvements	Furniture, fixtures and equipment	Computer equipment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
31 March 2013				
At 31 March 2012 and at 1 April 2012:				
Cost	182	4,962	1,236	6,380
Accumulated depreciation	(3)	(1,488)	(899)	(2,390)
Net carrying amount	179	3,474	337	3,990
At 1 April 2012, net of accumulated depreciation	179	3,474	337	3,990
Additions	722	182	268	1,172
Disposals/write-off	—	—	(19)	(19)
Depreciation provided during the year	(246)	(747)	(265)	(1,258)
At 31 March 2013, net of accumulated depreciation	655	2,909	321	3,885
At 31 March 2013:				
Cost	904	5,144	1,468	7,516
Accumulated depreciation	(249)	(2,235)	(1,147)	(3,631)
Net carrying amount	655	2,909	321	3,885

The FCL Group

	Leasehold improvements	Furniture, fixtures and equipment	Computer equipment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
31 March 2014				
At 31 March 2013 and at 1 April 2013:				
Cost	904	5,144	1,468	7,516
Accumulated depreciation	(249)	(2,235)	(1,147)	(3,631)
Net carrying amount	655	2,909	321	3,885
At 1 April 2013, net of accumulated depreciation	655	2,909	321	3,885
Additions	—	57	96	153
Disposals/write-off	(131)	(1)	(2)	(134)
Depreciation provided during the year	(267)	(717)	(204)	(1,188)
At 31 March 2014, net of accumulated depreciation	257	2,248	211	2,716
At 31 March 2014:				
Cost	714	5,200	1,558	7,472
Accumulated depreciation	(457)	(2,952)	(1,347)	(4,756)
Net carrying amount	257	2,248	211	2,716

16. INTANGIBLE ASSET

Trading right

		The FCL Group		
	Note	**2012**	**2013**	**2014**
		HK$'000	*HK$'000*	*HK$'000*
Carrying amount at the beginning of year		—	339	339
Acquisition of a subsidiary	30(a)	339	—	—
Carrying amount at 31 March		339	339	339

The trading right has been considered to have an indefinite life because it is expected to contribute to the net cash flows of the FCL Group indefinitely, which is not amortised.

17. INVESTMENT IN A SUBSIDIARY/BALANCES WITH SUBSIDIARIES

	FCL As at 31 March		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Unlisted investment, at cost	—	—	376,155

The amounts due from/to subsidiaries as at 31 March 2014 are unsecured, interest-free and repayable on demand or within twelve months from 31 March 2014.

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

Particulars of FCL's subsidiaries as at the end of the Relevant Periods are set out in note 1 of Section II of this report.

18. AVAILABLE-FOR-SALE INVESTMENT

	The FCL Group As at 31 March		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Listed investment in Hong Kong, at fair value	17,693	1,986	18,507

Available-for-sale investment represented the FCL Group's investment in a listed equity security which is neither classified as held for trading nor designated at fair value through profit and loss.

During the year ended 31 March 2013, the gross fair value gain in respect of the FCL Group's listed available-for-sale investment recognised in other comprehensive income amounted to approximately HK$18,466,000 and such gain was reclassified from the FCL Group's available-for-sale investment revaluation reserve to the combined income statement upon the disposal of the FCL Group's listed available-for-sale investment during that year.

The FCL Director considered there was a significant decline in the market value of the listed equity investment during the years ended 31 March 2012 and 2013 which indicated that the listed equity investment had been impaired and an impairment loss of HK$6,667,000 and HK$1,398,000 had been reclassified from other comprehensive income to the combined income statements for the years ended 31 March 2012 and 2013, respectively.

The FCL Group's listed available-for-sale investment with an aggregate carrying value as at 31 March 2012, 2013 and 2014 of approximately HK$17,693,000, HK$1,986,000 and HK$18,507,000, respectively, was pledged to certain financial institutions to secure certain margin financing facilities provided to the FCL Group (note 26).

19. LOANS RECEIVABLE

	The FCL Group As at 31 March		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Loans receivable	11,007	6,034	304,540
Impairment	(9,000)	—	(2,000)
	2,007	6,034	302,540
Less: Balance due within one year included in current assets	(2,007)	(4,623)	(301,792)
Non-current portion	—	1,411	748

Loans receivable represent receivables arising from the provision of finance business, and bear interest at rates ranging from 2% above the Hong Kong dollar prime lending rate as quoted by The Hongkong and Shanghai Banking Corporation Limited per annum to 24% per annum, 1% per month or 12% per annum, and 6% to 48% per annum as at 31 March 2012, 2013 and 2014, respectively. The grants of these loans were approved and monitored by the FCL Group's management.

As at 31 March 2012, except for a loan receivable with a carrying amount of HK$2,007,000, which was secured by the pledge of collateral and/or the provision of personal guarantees/corporate undertakings by certain independent third parties, all of the loans receivable as at 31 March 2012 were unsecured.

As at 31 March 2013, loans receivable of the FCL Group were unsecured.

As at 31 March 2014, except for a loan receivable with a carrying amount of HK$20,147,000, which was secured by the pledge of collateral and personal guarantees by certain independent third parties, all of the loans receivable as at 31 March 2014 were unsecured.

An aging analysis of loans receivable, determined based on the age of the loans receivable since the effective drawn down date of the loans, as at the end of each of the Relevant Periods is as follows:

	The FCL Group As at 31 March		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Loans receivable:			
Within 90 days	—	6,034	242,965
Within 91 to 180 days	—	—	8,136
180 days to one year	—	—	52,028
Over one year	11,007	—	1,411
At 31 March	11,007	6,034	304,540

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

	The FCL Group As at 31 March		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Neither past due nor impaired	2,007	6,034	302,540

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

	The FCL Group		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
At beginning of year	16,902	9,000	—
Amount written off as uncollectible	(7,376)	(9,000)	—
Impairment loss recognised/(reversed) (note 8)	(526)	—	2,000
At 31 March	9,000	—	2,000

As at 31 March 2012, 2013 and 2014, included in the above provision for impairment of loans receivable was a provision for individually impaired loans receivable of HK$9,000,000, Nil and HK$2,000,000 with a carrying amount of HK$9,000,000, Nil and HK$2,000,000, respectively. The individually impaired loans receivable relate to borrowers that were in financial difficulties or were in default and were not expected to be recoverable.

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

20. ACCOUNTS RECEIVABLE

	The FCL Group As at 31 March		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Accounts receivable arising from the ordinary course of business of:			
- Dealing in securities			
Clearing houses	4,707	88	3,838
Cash clients	48	—	67
Margin clients	37,610	136,763	189,191
- Corporate finance business	—	—	350
- Insurance brokerage business	—	35	3
	42,365	136,886	193,449

The settlement terms of accounts receivable attributable to the dealing in securities transactions are two days after trade date except for the balances with margin clients which are repayable on demand. The trading terms with customers of corporate finance business and insurance brokerage business are mainly on credit, except for new customers where payment in advance is normally required. The credit period of corporate finance business and insurance brokerage business is generally 30 days, extending up to 90 days for major customers.

The above balances are all aged within 60 days, based on the trade date.

As at 31 March 2012, 2013 and 2014, except for margin loans receivable of HK$37,610,000, HK$136,763,000 and HK$189,191,000, respectively, which were secured by underlying equity securities, the FCL Group did not hold any collateral or other credit enhancements over these balances.

Trading limits are set for customers. The FCL Group seeks to maintain tight control over its outstanding accounts receivable in order to minimise the credit risk. Overdue balances are regularly monitored by management.

Accounts receivable as at 31 March 2012, 2013 and 2014 relate to a number of independent clients that have a good track record with the FCL Group and were not impaired. Based on past experience, the FCL Director was of the opinion that no provision for impairment was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable as at 31 March 2012, 2013 and 2014.

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

		The FCL Group **As at 31 March**	
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Prepayments and deposits	1,337	1,253	831
Other receivables	7,917	8,039	582
	9,254	9,292	1,413
Less: Long term note receivable	(7,711)	(7,711)	—
Current portion	1,543	1,581	1,413

Other receivables balances are neither past due nor impaired and the FCL Director is of the opinion that these balances are fully recoverable.

The long term note receivable of the FCL Group bears interest at a fixed rate of 6% per annum with maturity due in February 2015. The note receivable was redeemed by the note issuer at a cash consideration of approximately HK$7,788,000 during the year ended 31 March 2014, giving rise to a gain on redemption of approximately HK$77,000, which was recognised under "Other income and gains" in the combined income statement.

22. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	The FCL Group As at 31 March		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Listed equity investments, at market value:			
Hong Kong	871,281	1,355,049	1,811,288
Singapore	13,930	17,398	19,609
Listed debt investment, at market value:			
Singapore	—	—	5,702
	885,211	1,372,447	1,836,599
Unlisted debt investments, at fair value	5,905	7,585	—
	891,116	1,380,032	1,836,599

The investments as at 31 March 2012, 2013 and 2014 were classified as held for trading. The FCL Group's investments at fair value through profit or loss with an aggregate carrying value as at 31 March 2012, 2013 and 2014 of approximately HK$891,116,000, HK$1,380,032,000 and HK$1,836,599,000 were pledged to certain financial institutions to secure certain margin financing facilities provided to the FCL Group (note 26) for the years ended 31 March 2012, 2013 and 2014, respectively.

23. CASH AND BANK BALANCES

	The FCL Group As at 31 March		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Cash and bank balances	122,693	178,132	55,866

As at 31 March 2012, 2013 and 2014, all the cash and bank balances of the FCL Group were denominated in Hong Kong dollars.

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

The FCL Group maintains trust accounts with authorised institutions in respect of clients' monies arising from the course of securities trading and the respective financing services. As at 31 March 2012, 2013 and 2014, HK$9,667,000, HK$2,530,000 and HK$6,326,000 was held by the FCL Group on behalf of the clients in the trust accounts, respectively. The client monies at the end of each of the Relevant Periods were not included in the FCL Group's balances of cash and bank balances.

24. ACCOUNTS PAYABLE

The balances at the end of each of the Relevant Periods were all aged within 30 days.

25. BALANCES WITH FELLOW SUBSIDIARIES/THE IMMEDIATE HOLDING COMPANY/THE ULTIMATE HOLDING COMPANY

Except for an amount due from a fellow subsidiary as at 31 March 2012 and 2013 of HK$783,253,000 and HK$798,928,000, which bore interest at 2.5% per annum and 2% per annum, respectively, the remaining balances due from fellow subsidiaries as at 31 March 2012, 2013 and 2014 were unsecured, interest-free and had no fixed terms of repayment.

The amount due from the immediate holding company at the end of each of the Relevant Periods was unsecured, interest-free and had no fixed terms of repayment.

Except for an amount due to the ultimate holding company as at 31 March 2012 and 2013 of HK$700,567,000 and HK$850,228,000 which bore interest at 2.5% per annum and rates ranging from 2% to 2.5% per annum, respectively, the remaining balances with the ultimate holding company as at 31 March 2012, 2013 and 2014 were unsecured, interest-free and repayable on demand or within twelve months from the end of each of the Relevant Periods.

26. INTEREST-BEARING OTHER BORROWINGS

The FCL Group

	As at 31 March								
	2012			2013			2014		
	Effective interest rate (%) p.a.	*Maturity*	*HK$'000*	*Effective interest rate (%) p.a.*	*Maturity*	*HK$'000*	*Effective interest rate (%) p.a.*	*Maturity*	*HK$'000*
Current									
Other borrowings									
- secured (note (b))	2.94-3.26	2012-2013	136,312	2.11-3.24	2013	176,300	1.89-2.65	2014	175,848
- secured (note (b))	1.82-7.24	On demand	131,830	1.90-7.24	On demand	127,206	1.76-7.24	On demand	32,883
			268,142			303,506			208,731

	The FCL Group		
	As at 31 March		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Analysed into:			
Margin loan borrowings repayable on demand	131,830	127,206	32,883
Other borrowings repayable within one year	136,312	176,300	175,848
	268,142	303,506	208,731

Notes:

(a) All borrowings of the FCL Group at the end of each of the Relevant Periods were denominated in Hong Kong dollars.

(b) At 31 March 2012, 2013 and 2014, the FCL Group's margin loan borrowings and other borrowings of HK$268,142,000, HK$303,506,000 and HK$208,731,000, respectively, were secured by the FCL Group's listed available-for-sale investment and investments at fair value through profit or loss with aggregate carrying values of approximately HK$17,693,000, HK$1,986,000 and HK$18,507,000 and HK$891,116,000, HK$1,380,032,000 and HK$1,836,599,000, respectively (notes 18 and 22).

27. DEFERRED TAX ASSETS

The movements in deferred tax assets during the Relevant Periods are as follows:

The FCL Group

	Temporary difference related to depreciation in excess of related depreciation allowances		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
At beginning of year	—	47	47
Deferred tax credited to the combined income statements during the year (note 12)	47	—	52
Deferred tax assets at 31 March	47	47	99

At 31 March 2012, 2013 and 2014, the FCL Group had tax losses arising in Hong Kong of approximately HK$1,562,657,000, HK$1,335,539,000 and HK$823,783,000, subject to the agreement by the Hong Kong Inland Revenue Department, that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised at the end of each of the Relevant Periods in respect of these losses as they have arisen in companies that have been loss-making for some time or due to the unpredictability of future profit streams of those companies, and accordingly, it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

28. SHARE CAPITAL

FCL is an exempted company with limited liability incorporated in the Cayman Islands on 28 June 2013 with an authorised share capital of US$50,000, divided into 50,000 ordinary shares of US$1 each.

There was no authorised and issued capital as at 31 March 2012 and 2013 since FCL has not yet been incorporated.

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

	Notes	**Number of shares in issue**	**Issued capital**	**Share premium account**	**Total**
			HK$'000	*HK$'000*	*HK$'000*
At the date of incorporation on 28 June 2013	(a)	1	—	—	—
Share subdivision	(b)	19,999,999	—	—	—
Issue of new shares	(c)	740,849,120	—	38,000	38,000
At 31 March 2014		760,849,120	—	38,000	38,000

Notes:

(a) On the date of incorporation, 1 ordinary share of US$1 was issued at par as the subscriber's share for cash.

(b) On 12 August 2013, FCL subdivided its 50,000 authorised ordinary shares of US$1 each into 1,000,000,000,000 authorised ordinary shares of US$0.00000005 each. Accordingly, the existing ordinary share of US$1 each issued on the date of incorporation was subdivided into 20,000,000 ordinary shares of US$0.00000005 each.

(c) FCL allotted and issued 740,849,120 ordinary shares of US$0.00000005 each on 16 December 2013 to its immediate holding company at HK$38,000,000, giving rise to an increase in share premium of approximately HK$38,000,000

29. RESERVES

(a) The FCL Group

The amounts of the FCL Group's reserves and the movements therein for each of the Relevant Periods are presented in the combined statements of changes in equity under Section I of this report.

(b) Merger reserve

The merger reserve represents reserves arising from the Reorganisation.

(c) Capital contribution reserve

The FCL Group's capital contribution of HK$24,360,000 for the year ended 31 March 2012 represented parent's contribution to a subsidiary of the FCL Group by way of transferring of an available-for-sale investment of HK$24,360,000 at a consideration of HK$1 during that year.

Capital contribution of HK$2,811,571,000 and HK$2,804,541,000 during the year ended 31 March 2014 represented the capitalisation of amount due to the ultimate holding company by the FCL Group and FCL, respectively.

(d) **FCL**

	Notes	**Share premium account**	**Capital contribution**	**Accumulated loss**	**Total**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Loss and total comprehensive loss for the period from 28 June 2013 (date of incorporation) to 31 March 2014		—	—	(46)	(46)
Issue of new shares	28(c)	38,000	—	—	38,000
Capital contribution by the ultimate holding company	29(c)	—	2,804,541	—	2,804,541
At 31 March 2014		38,000	2,804,541	(46)	2,842,495

30. BUSINESS COMBINATION AND TRANSACTIONS WITH NON-CONTROLLING INTEREST

(a) **Initial acquisition and step acquisition of FSL**

In June 2011, the FCL Group acquired a 41% equity interest in FSL, a private company primarily engaged in securities brokerage and trading of securities businesses, from an independent third party at a cash consideration of HK$20 million and FSL then became an associate of the FCL Group. The acquisition was part of the FCL Group's strategy to strengthen its financial service businesses.

On 19 July 2011 (the "Takeover Date"), the FCL Group acquired the remaining 59% equity interest in FSL from the same party at a cash consideration of HK$30 million. On the Takeover Date, the FCL Group re-measured its previously held 41% equity interest in FSL at fair value and, in the opinion of the FCL Director, the carrying amount of the previously held 41% equity interest in FSL approximated to its fair value on the Takeover Date. Accordingly, no gain or loss in relation to the re-measurement was resulted.

The fair values of the identifiable assets and liabilities of FSL as at the Takeover Date were as follows:

	Notes	**Fair value recognised on Takeover Date** *HK$'000*
Property, plant and equipment	15	250
Intangible asset	16	339
Accounts receivable		33,889
Cash and bank balances		65,375
Prepayments, deposits and other receivables		601
Accounts payable		(159)
Other payables and accruals		(2)
Other borrowings		(50,000)
		50,293
Less: Fair value of previously held 41% equity interest in FSL		(20,293)
Consideration for the remaining 59% equity interest in FSL satisfied by cash		30,000

An analysis of the net inflow of cash and cash equivalents during the year ended 31 March 2012 in respect of the acquisition of FSL is as follows:

	HK$'000
Cash consideration for the remaining 59% equity interest	(30,000)
Cash and bank balances acquired	65,375
Net inflow of cash and cash equivalents included in cash flows from investing activities	35,375

Since the Takeover Date, FSL contributed HK$18,208,000 to the FCL Group's revenue and profit of HK$15,717,000 to the FCL Group's combined loss for the year ended 31 March 2012. Had the combination taken place at the beginning of the year ended 31 March 2012, the revenue from FSL and the results of FSL contributed to the FCL Group for that year would have been HK$21,864,000 and a profit of HK$14,419,000, respectively.

(b) **Deemed disposal of interest in FSL**

In October 2011, FSL allotted and issued 15,000,000 new ordinary shares of FSL to an independent third party, representing approximately 8.77% of the then enlarged issued share capital of FSL, for a cash consideration of HK$15,000,000, and the FCL Group's ownership interest in FSL was decreased from 100% to 91.23% upon completion of the transaction. The FCL Group recognised an increase in non-controlling interest of approximately HK$14,629,000 and an increase in distributable reserve attributable to owner of FCL of approximately HK$371,000. The effect of the change in the FCL Group's ownership interest in FSL on the equity attributable to owner of FCL during the year ended 31 March 2012 is summarised as follows:

	HK$'000
Carrying amount of non-controlling interest recognised	(14,629)
Fair value of total consideration received	15,000
Difference recognised in distributable reserve attributable to owner of FCL	371

(c) **Acquisition of additional interest in FSL**

In March 2013, the FCL Group acquired an additional 8.77% equity interest in FSL from an independent third party, and the FCL Group's ownership interest in FSL was increased from 91.23% to 100%. The consideration for the acquisition was satisfied by cash of HK$5,115,000 on behalf by the ultimate holding company and the allotment and issue of 105,000,000 ordinary shares of the ultimate holding company as described in note 31(b) to the Financial Information. The carrying amount of the acquired non-controlling interest in FSL at acquisition was approximately HK$15,798,000. The FCL Group recognised a decrease in non-controlling interest of approximately HK$15,798,000 and a decrease in distributable reserve attributable to owner of FCL of approximately HK$2,757,000. The effect of the change in the FCL Group's ownership interest in FSL on the equity attributable to owner of FCL during the year ended 31 March 2013 is summarised as follows:

	HK$'000
Carrying amount of non-controlling interest acquired	15,798
Fair value of total consideration paid	(18,555)
Difference recognised in distributable reserve attributable to owner of FCL	(2,757)

31. MAJOR NON-CASH TRANSACTIONS

The FCL Group had the following major non-cash transactions during the Relevant Periods:

(a) During the year ended 31 March 2012, a listed equity investment of HK$10,024,000 included in the FCL Group's investments at fair value through profit or loss was repurchased by the listed equity issuer, of which HK$2,313,000 was satisfied by cash and HK$7,711,000 was satisfied by way of a loan note issued by the listed equity issuer (note 21).

(b) During the year ended 31 March 2013, the consideration for the FCL Group's acquisition of 8.77% equity interest in FSL in March 2013 was agreed with the vendor at HK$16,140,000, which was satisfied by cash of HK$5,115,000 being paid on behalf by the ultimate holding company and allotment and issue of 105,000,000 ordinary shares of the ultimate holding company. The share price of the ultimate holding company at the issue date of these shares was HK$0.128 per share. The transaction was settled through the intercompany balance with the ultimate holding company.

32. PLEDGE OF ASSETS

Details of the FCL Group's interest-bearing other borrowings, which are secured by the assets of the FCL Group, are included in notes 18, 22 and 26 to the Financial Information.

33. OPERATING LEASE ARRANGEMENTS

As lessee

The FCL Group leases staff quarters and office premises under operating lease arrangements. The leases for the properties are negotiated for terms of ranging from one to two years.

The FCL Group had total future minimum lease payments under the non-cancellable operating leases falling due as follows:

	As at 31 March		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Within one year	4,946	5,969	5,172
In the second year	240	2,631	731
	5,186	8,600	5,903

FCL had no operating lease arrangements during the years ended 31 March 2012, 2013 and 2014.

34. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and arrangements detailed elsewhere in the Financial Information, the FCL Group had the following material transactions with related parties during the Relevant Periods:

	Notes	Year ended 31 March 2012 *HK$'000*	2013 *HK$'000*	2014 *HK$'000*
Interest income from a fellow subsidiary	(i)	16,222	15,665	6,216
Interest expense paid to the ultimate holding company	(ii)	17,181	15,581	8,878
Management fee income from the ultimate holding company	(iii)	7,680	6,720	5,520

Notes:

(i) The interest income arose from an amount due from a fellow subsidiary, further details of the terms are disclosed in note 25 to the Financial Information.

(ii) The interest expense arose from an amount due to the ultimate holding company, further details of the terms are disclosed in note 25 to the Financial Information.

(iii) The management fee income was related to management services provided to the ultimate holding company. The income was charged based on terms mutually agreed between the FCL Group and the ultimate holding company.

(b) Compensation of key management personnel of the FCL Group (including the remuneration of the FCL Director):

	As at 31 March 2012 *HK$'000*	2013 *HK$'000*	2014 *HK$'000*
Short term employee benefits	5,654	5,216	4,765
Post-employment benefits	111	112	114
Total compensation paid to key management personnel	5,765	5,328	4,879

Further details of the remuneration of the FCL Director are included in note 10 under Section II of this report.

35. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments at the end of each of the Relevant Periods are as follows:

2012

The FCL Group

Financial assets

	Available-for-sale financial asset	Financial assets at fair value through profit or loss - held for trading	Loans and receivables	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Available-for-sale investment	17,693	—	—	17,693
Note receivable	—	—	7,711	7,711
Accounts receivable	—	—	42,365	42,365
Loans receivable	—	—	2,007	2,007
Financial assets included in prepayments, deposits and other receivables	—	—	1,383	1,383
Investments at fair value through profit or loss	—	891,116	—	891,116
Amount due from the immediate holding company	—	—	97	97
Amounts due from fellow subsidiaries	—	—	783,807	783,807
Cash and bank balances	—	—	122,693	122,693
	17,693	891,116	960,063	1,868,872

Financial liabilities

	Financial liabilities at amortised cost
	HK$'000
Accounts payable	2,304
Financial liabilities included in other payables and accruals	819
Interest-bearing other borrowings	268,142
Amount due to the ultimate holding company	3,075,667
	3,346,932

2013

The FCL Group

Financial assets

	Available-for-sale financial asset	Financial assets at fair value through profit or loss - held for trading	Loans and receivables	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Available-for-sale investment	1,986	—	—	1,986
Note receivable	—	—	7,711	7,711
Accounts receivable	—	—	136,886	136,886
Loans receivable	—	—	6,034	6,034
Financial assets included in prepayments, deposits and other receivables	—	—	1,411	1,411
Investments at fair value through profit or loss	—	1,380,032	—	1,380,032
Amount due from the immediate holding company	—	—	158	158
Amounts due from fellow subsidiaries	—	—	799,467	799,467
Cash and bank balances	—	—	178,132	178,132
	1,986	1,380,032	1,129,799	2,511,817

Financial liabilities

	Financial liabilities at amortised cost
	HK$'000
Accounts payable	11,853
Financial liabilities included in other payables and accruals	1,219
Interest-bearing other borrowings	303,506
Amount due to the ultimate holding company	3,442,008
	3,758,586

2014

The FCL Group

Financial assets

	Available-for-sale financial asset	Financial assets at fair value through profit or loss - held for trading	Loans and receivables	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Available-for-sale investment	18,507	—	—	18,507
Accounts receivable	—	—	193,449	193,449
Loans receivable	—	—	302,540	302,540
Financial assets included in prepayments, deposits and other receivables	—	—	1,001	1,001
Investments at fair value through profit or loss	—	1,836,599	—	1,836,599
Amount due from the immediate holding company	—	—	23	23
Amounts due from fellow subsidiaries	—	—	6,217	6,217
Cash and bank balances	—	—	55,866	55,866
	18,507	1,836,599	559,096	2,414,202

Financial liabilities

	Financial liabilities at amortised cost
	HK$'000
Accounts payable	363
Financial liabilities included in other payables and accruals	648
Interest-bearing other borrowings	208,731
Amount due to the ultimate holding company	1,059
	210,801

FCL

	Financial assets - Loans and receivables
	HK$'000
Amounts due from subsidiaries	2,469,720

	Financial liabilities - Financial liabilities at amortised cost
	HK$'000
Amounts due to subsidiaries	3,380

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the FCL Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

The FCL Group

	Carrying amounts		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Financial assets			
Available-for-sale investment	17,693	1,986	18,507
Loans receivable, non-current portion	—	1,411	748
Note receivable	7,711	7,711	—
Investments at fair value through profit or loss	891,116	1,380,032	1,836,599

	Fair values		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Financial assets			
Available-for-sale investment	17,693	1,986	18,507
Loans receivable, non-current portion	—	1,411	748
Note receivable	7,711	7,711	—
Investments at fair value through profit or loss	891,116	1,380,032	1,836,599

Management has assessed that the fair values of accounts receivable, the current portion of loans receivable, financial assets included in prepayments, deposits and other receivables, cash and bank balances, accounts payable, financial liabilities included in other payables and accruals, interest-bearing other borrowings and balances with subsidiaries, fellow subsidiaries, the immediate holding company and the ultimate holding company approximate to their carrying amounts largely due to the short term maturities of these instruments.

The FCL Group's management is responsible for determining the policies and procedures for the fair value measurement of financial instruments and reports directly to the audit committee. At each reporting date, management analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of listed equity and debt investments are based on quoted market prices.

The fair value of unlisted debt investment as at 31 March 2012 and 2013 had been estimated using Binomial Tree Pricing Model, based on the quoted market price of the underlying listed securities. The FCL Director believes that the estimated fair values resulting from the valuation technique, which were recorded in the combined statements of financial position, and the related changes in fair values, which were recorded in combined income statements, were reasonable, and that they were the most appropriate values at the end of each of the Relevant Periods.

The fair values of the non-current portion of loans receivable and note receivable have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the FCL Group's financial instruments:

Assets measured at fair value:

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
The FCL Group				
As at 31 March 2012:				
Available-for-sale investment	17,693	—	—	17,693
Investments at fair value through profit or loss	885,211	5,905	—	891,116
	902,904	5,905	—	908,809
As at 31 March 2013:				
Available-for-sale investment	1,986	—	—	1,986
Investments at fair value through profit or loss	1,372,447	7,585	—	1,380,032
	1,374,433	7,585	—	1,382,018
As at 31 March 2014:				
Available-for-sale investment	18,507	—	—	18,507
Investments at fair value through profit or loss	1,836,599	—	—	1,836,599
	1,855,106	—	—	1,855,106

FCL did not have any financial assets measured at fair value as at 31 March 2012, 2013 and 2014.

The FCL Group and FCL did not have any financial liabilities measured at fair value as at 31 March 2012, 2013 and 2014.

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

Assets for which fair values are disclosed:

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
The FCL Group				
As at 31 March 2012:				
Note receivable	—	7,711	—	7,711
As at 31 March 2013:				
Loans receivable, non-current portion	—	1,411	—	1,411
Note receivable	—	7,711	—	7,711
	—	9,122	—	9,122
As at 31 March 2014:				
Loans receivable, non-current portion	—	748	—	748

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The FCL Group's principal financial instruments comprise interest-bearing other borrowings and cash and bank balances. The main purpose of these financial instruments is to raise finance for the FCL Group's operations. The FCL Group has various other financial assets and liabilities such as accounts receivable, loans receivable, a note receivable, financial assets included in prepayments, deposits and other receivables, investments at fair value through profit or loss, available-for-sale investment, accounts payable, and financial liabilities included in other payables and accruals, and balances with fellow subsidiaries, the immediate holding company and the ultimate holding company which mainly arise directly from its operations.

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

Interest rate risk

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

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

	The FCL Group		
	Increase/ (decrease) in basis points	**Decrease/ (increase) in loss before tax**	**Increase/ (decrease) in equity***
		HK$'000	*HK$'000*
2012			
Hong Kong dollar	25	(188)	—
Hong Kong dollar	(25)	188	—

	The FCL Group		
	Increase/ (decrease) in basis points	**Increase/ (decrease) in profit before tax**	**Increase/ (decrease) in equity***
		HK$'000	*HK$'000*
2013			
Hong Kong dollar	25	(715)	—
Hong Kong dollar	(25)	715	—
2014			
Hong Kong dollar	25	(441)	—
Hong Kong dollar	(25)	441	—

* Excluding accumulated losses

Credit risk

The FCL Group's major exposure to credit risk relates to accounts receivable, loans receivable, a note receivable, bank balances, an available-for-sale investment, investments at fair value through profit or loss, financial assets included in prepayments, deposits and other receivables, and amounts due from the immediate holding company and fellow subsidiaries arises from default of the counterparties, with a maximum exposure equal to the carrying amounts of these instruments. The FCL Group's loans and accounts receivable arise from the ordinary course of business of the FCL Group and are closely monitored by the FCL Director on an ongoing basis. Further quantitative data in respect of the FCL Group's exposure to credit risk arising from loans and accounts receivable are disclosed in notes 19 and 20, respectively, under Section II of this report.

Liquidity risk

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

The maturity profile of the financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

The FCL Group

	Within one year or on demand		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Accounts payable	2,304	11,853	363
Financial liabilities included in other payables and accruals	819	1,219	648
Interest-bearing other borrowings	268,816	304,383	209,326
Amount due to the ultimate holding company	3,075,667	3,442,008	1,059
	3,347,606	3,759,463	211,396

FCL

	Within one year or on demand		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Amounts due to subsidiaries	—	—	3,380

Equity and debt price risk

Equity and debt price risk is the risk that the fair values of equity and debt securities decrease as a result of changes in the levels of relevant indices and the value of individual securities. The FCL Group is exposed to equity and debt price risk arising from individual equity and debt investments classified as trading investments (note 22) and an available-for-sale investment (note 18). The FCL Group's listed investments are either listed on the Stock Exchange or Singapore Exchange Limited and are valued at quoted market prices at the end of each of the Relevant Periods.

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

	Carrying amount of investments *HK$'000*	Change in profit/(loss) before tax *HK$'000*	Change in equity* *HK$'000*
2012			
Investments listed in:			
- Hong Kong - held-for-trading	871,281	43,564	—
- Hong Kong - available-for-sale	17,693	—	885
- Singapore - held-for-trading	13,930	697	—
Unlisted investment at fair value:			
- Convertible note	5,905	295	—
2013			
Investments listed in:			
- Hong Kong - held-for-trading	1,355,049	67,753	—
- Hong Kong - available-for-sale	1,986	—	99
- Singapore - held-for-trading	17,398	870	—
Unlisted investment at fair value:			
- Convertible note	7,585	379	—
2014			
Investments listed in:			
- Hong Kong - held-for-trading	1,811,288	90,564	—
- Hong Kong - available-for-sale	18,507	—	925
- Singapore - held-for-trading	25,311	1,266	—

* Excluding accumulated losses

Capital management

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

The FCL Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the FCL Group may adjust the dividend payment to shareholder, return capital to shareholder or issue new shares. The FCL Group is not subject to any externally imposed capital requirements except for certain subsidiaries engaged in securities dealing and broking businesses and corporate finance advisory services, which are regulated entities under the Hong Kong Securities and Futures Commission ("SFC") and a subsidiary, which is registered under the Hong Kong Insurance Companies Ordinance ("ICO"), which are required to comply with the respective minimum capital requirements of the SFC and the ICO. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

The FCL Group monitors capital using a gearing ratio, which is interest-bearing other borrowings divided by the equity attributable to owner of FCL. The gearing ratios as at the end of each of the Relevant Periods were as follows:

FCL Group

	2012	**2013**	**2014**
	HK\$'000	*HK\$'000*	*HK\$'000*
Interest-bearing other borrowings	268,142	303,506	208,731
Equity attributable to owner of FCL	(1,492,170)	(1,245,982)	2,203,284
Gearing ratio	N/A*	N/A*	9.5%

* As the FCL Group had a net beneficiary in assets as at 31 March 2012 and 2013, the FCL Group's gearing ratio as at the respective dates were not applicable.

38. SUBSEQUENT EVENT

Subsequent to 31 March 2014, on 9 June 2014, FSL, a wholly-owned subsidiary of FCL, entered into a conditional sale and purchase agreement with a wholly-owned subsidiary of HEC Capital Limited ("HEC"), an indirectly-owned associate of Freeman, pursuant to which FSL agreed to purchase the entire issued share capital of HEC Commodities Limited ("HCL"), a wholly-owned subsidiary of HEC at a consideration of HK$10 million. Upon completion, HCL will become a wholly-owned subsidiary of FCL. The transaction has not been completed up to the date of this report.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by FCL or any of the companies comprising the FCL Group in respect of any period subsequent to 31 March 2014.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

OVERVIEW

FCL Group is principally engaged in the financial services sector, including the provision of securities brokerage services, the provision of insurance brokerage and financial planning services, the provision of corporate finance advisory services, trading of securities, the provision of finance, as well as investment holding. The following discussion and analysis should be read in conjunction with the financial information of the FCL Group for the years ended 31 March 2012, 2013 and 2014, as set out in Appendix II of this circular.

FINANCIAL PERFORMANCE

Revenue and profitability

FCL Group's revenue significantly increased from approximately HK$12.5 million for the year ended 31 March 2012 to HK$82.4 million for the year ended 31 March 2013 and then to HK$233.2 million for the year ended 31 March 2014. The significant increase in revenue is mainly due to FCL Group's increasing net gains from the sale of trading securities, increasing dividend income from investments held, increasing commission from underwriting and placing services as well as increasing interest income on financing activities.

FCL Group's gross profit also increased significantly from approximately HK$12.5 million for the year ended 31 March 2012 to HK$81.9 million for the year ended 31 March 2013 and then to HK$229.8 million for the year ended 31 March 2014. The increase in gross profit reflected the results of increase in income from financial services and net gains from sale of trading securities.

FCL Group's other income and gains decreased from the level of approximately HK$21.8 million and HK$35.8 million for the years ended 31 March 2012 and 2013 to the level of approximately HK$8.4 million for the year ended 31 March 2014. The reduction was mainly due to smaller interest income on amount due from a fellow subsidiary and there was a non-recurring gain on disposal of an available-for-sale investment in the year ended 31 March 2013.

As a result of increasing revenue, FCL Group's profitability has turned from a net loss attributable to shareholders of approximately HK$485.2 million for the year ended 31 March 2012 to a net profit attributable to shareholders of approximately HK$248.9 million for the year ended 31 March 2013 and approximately HK$583.2 million for the year ended 31 March 2014.

Business review and prospects

In the past three years ended 31 March 2012, 2013 and 2014, FCL Group demonstrated its ability to expand its various business segments with increasing profitability.

FCL Group aims to enhance its service capacity in the financial services industry. Looking ahead, FCL Group will continue to look for additional opportunities to further enhance its service offering repertoire and create a one-stop financial conglomerate with comprehensive range of financial services in order to enhance values to the shareholders of FCL Group.

LIQUIDITY AND FINANCIAL RESOURCES

As FCL is a indirect wholly-owned subsidiary of Freeman, FCL has been financially supported by Freeman (FCL's ultimate holding company). Hence, FCL's liqudity and financial resources have been analysed by taking account of this factor.

As at 31 March 2012, 2013 and 2014, net current assets (excluding the amount due to FCL's ultimate holding company from FCL's current liabilities) of FCL Group amounted to approximately HK$1,569.6 million, HK$2,180.6 million and HK$2,181.9 million. FCL Group's current ratio (current assets/current liabilities excluding the amount due to FCL's ultimate holding company) as at 31 March 2012, 2013 and 2014 was approximately 6.7, 7.8 and 11.2. FCL Group's cash and bank balances as at 31 March 2012, 2013 and 2014 were approximately HK$122.7 million, HK$178.1 million and HK$55.9 million while its secured interest-bearing borrowings on the same dates were approximately HK$268.1 million, HK$303.5 million and HK$208.7 million. Gearing ratio, calculated on the basis of FCL Group's interest-bearing borrowings divided by the sum of the equity attributable to owner of FCL and the amount due to FCL's utlimate holding company as at 31 March 2012, 2013 and 2014 was approximately 16.9%, 13.8% and 9.5%. FCL Group's interest-bearing borrowings carried floating interest rates calculated by reference to the Hong Kong dollar prime rate or lender's cost of funds were made in Hong Kong dollar and FCL Group's exposure to foreign exchange rate was minimal. FCL Group did not have any financial instruments used for hedging purpose.

FCL Group's assets portfolio is mainly financed by its shareholders' funds and the amount due to FCL's utlimate holding company. As at 31 March 2012, 2013 and 2014, FCL Group had the sum of shareholders' funds and the amount due to FCL's utlimate holding company of approximately HK$1,583.5 million, HK$2,196 million and HK$2,204.3 million. In light of the amount of liquid assets on hand and banking facilities available, FCL Group is expected to have sufficient financial resources to meet its ongoing operational requirements.

PLEDGE OF ASSETS

As at 31 March 2012, 2013 and 2014, FCL Group's listed available-for-sale investments with an aggregate carrying value at of approximately HK$17.7 million, HK$2.0 million and HK$18.5 million and its investments at fair value through profit and loss of approximately HK$891.1 million, HK$1,380.0 million and HK$1,836.6 million were pledged to certain financial institutions to secure certain margin financing facilities provided to FCL Group.

MATERIAL ACQUISITIONS/DISPOSALS

There were no material acquisitions/disposals during the years ended 31 March 2012, 2013 and 2014. Subsequent to 31 March 2014, in June 2014, a wholly-owned subsidiary of FCL entered into a conditional sale and purchase agreement with a wholly-owned subsidiary of HEC Capital Limited, pursuant to which FCL Group agreed to purchase the entire share capital of another wholly-owned subsidiary of HEC Capital Limited, which is incorporated in Hong Kong with limited liability and a licensed corporation carrying out business in Type 2 (dealing in futures contracts) regulated activity as defined under the Securities and Futures Ordinance at a consideration of HK$10 million. Up to the Latest Practicable Date, the aforesaid acquisition by FCL was not yet completed.

CAPITAL COMMITMENTS

FCL Group had no material capital commitment as at 31 March 2012, 2013 and 2014.

CONTINGENT LIABILITIES

FCL Group had no material contingent liabilities as at 31 March 2012, 2013 and 2014.

EMPLOYMENT AND REMUNERATION POLICIES

FCL Group had 25, 17 and 23 employees as at 31 March 2012, 2013 and 2014 including the sole director of FCL. Staff costs incurred for the years ended 31 March 2012, 2013 and 2014 including remuneration of the sole director of FCL were approximately HK$10.8 million, HK$11.7 million and HK$10.4 million. It was the remuneration policy of FCL Group to reward its employees with reference to their qualifications, experience and work performance as well as market benchmarks. FCL Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme under the Mandatory Provident Fund Schemes Ordinance for its employees.

A. INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

The Directors
Willie International Holdings Limited
32nd Floor, China United Centre
28 Marble Road
North Point
Hong Kong

Dear Sirs,

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Willie International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group"), which has been prepared by the directors of the Company ("Directors") for illustrative purpose only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 31 December 2013 and related notes as set out on pages 94 to 98 of the circular issued by the Company dated 19 August 2014 in connection with the proposed acquisition of 300,000,000 shares to be issued by Freeman Corporation Limited ("FCL") ("Subscription Shares") (the "Circular"), representing approximately 28.3% of FCL's issued share capital to be enlarged by the Subscription Shares (the "Acquisition"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages 94 to 98 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the Acquisition on the Group's assets and liabilities as at 31 December 2013 as if the Acquisition had taken place on 31 December 2013. As part of this process, information about the Group's consolidated assets and liabilities has been extracted by the Directors from the Group's financial statements for the year ended 31 December 2013, on which an independent auditor's report has been published. Information about the consolidated assets and liabilities of FCL and its subsidiaries ("FCL Group") as at 31 March 2014 has been extracted by the Directors from the accountants' report as set out in Appendix II of the Circular, if applicable.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 ("AG 7") *"Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars"* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 29(7) of Chapter 4 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.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *"Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus"* issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in the Circular is solely to illustrate the impact of significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction on 31 December 2013 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related unaudited pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled 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 29(1) of Chapter 4 of the Listing Rules.

Mazars CPA Limited
Certified Public Accountants
Hong Kong, 19 August 2014

B. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

1. INTRODUCTION

Pursuant to the Agreement (as defined in this circular) as described in the announcement of the Company (as defined in this circular) dated 9 May 2014, the Group (as defined in this circular) will acquire 300,000,000 Subscription Shares (as defined in this circular) to be issued by FCL (as defined in this circular), representing approximately 28.3% of FCL issued share capital to be enlarged by the Subscription Shares (the "Acquisition").

The unaudited pro forma financial information of the Enlarged Group (as defined in this circular) (the "Unaudited Pro Forma Financial Information") comprising the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 31 December 2013 is prepared as if the Acquisition had been completed on 31 December 2013 and is based on (i) the consolidated statement of financial position of the Group as set out in the published annual report for the year ended 31 December 2013; and (ii) information about the consolidated assets and liabilities of FCL Group (as defined in this circular) as at 31 March 2014 as extracted from the accountants' report thereon as set out in Appendix II of this circular, if applicable, after making pro forma adjustments that are directly attributable to the Acquisition, factually supportable and clearly identified as to those have/have no continuing effect on the Group.

The Unaudited Pro Forma Financial Information is based on a number of assumptions, estimates and uncertainties. Among other key assumptions, the Directors have assumed that the Company would be able to raise sufficient funding through internal resources and other fund raising activities to finance the Acquisition.

The Unaudited Pro Forma Financial Information has been compiled by the Directors in accordance with paragraph 29 of Chapter 4 of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, for the purpose of illustrating the effect of the Acquisition pursuant to the terms of the Agreement and because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group had the Acquisition been completed as at 31 December 2013 or at any future date.

The Unaudited Pro Forma Financial Information should be read in conjunction with the historical information of the Group as set out in the published annual report of the Group for the year ended 31 December 2013, the historical financial information of the FCL Group as set out in the accountants' report and other financial information contained in this circular.

2. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

	The Group as at 31 December 2013	Pro forma adjustments			Unaudited pro forma Enlarged Group as at 31 December 2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note (i))	*(Note (iii))*	*(Note (iv))*	*(note (v))*	
Non-current assets					
Investment properties	11,100				11,100
Property, plant and equipment	419				419
Interest in associates	35,785		879,000		914,785
Available-for-sale financial assets	590,947				590,947
Other investments	4,580				4,580
	642,831				1,521,831
Current assets					
Available-for-sale financial assets	13,673				13,673
Financial assets at fair value through profit or loss	988,198	(882,206)			105,992
Loans receivable	120,219				120,219
Other receivables	2,945				2,945
Cash and cash equivalents	50,470	880,000	(879,000)		51,470
	1,175,505				294,299
Current liabilities					
Other payables	2,617			900	3,517
Interest-bearing borrowing	4,362				4,362
	6,979				7,879
Net current assets	1,168,526				286,420
Total assets less current liabilities	1,811,357				1,808,251
Non-current liabilities					
Deferred tax liabilities	43				43
NET ASSETS	1,811,314				1,808,208

3. NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

(i) The consolidated statement of assets and liabilities of the Group is extracted from the audited consolidated statement of financial position of the Group as at 31 December 2013 as set out in the published annual report of the Company for the year ended 31 December 2013.

(ii) Upon the completion of the Acquisition, the FCL Group will become associates of the Group and will be accounted for in the consolidated financial statements of the Enlarged Group by using the equity method of accounting in accordance with Hong Kong Accounting Standard ("HKAS") 28 (2011) *"Investments in Associates and Joint Ventures"* issued by the Hong Kong Institute of Certified Public Accountants.

(iii) The adjustment represents the estimated net proceeds from the disposal of the Group's financial assets at fair value through profit or loss of approximately HK$880,000,000, after netting off the handling fee of HK$2,206,000, for the settlement of the cash consideration of the Acquisition.

(iv) For the purposes of the Unaudited Pro Forma Financial Information, the following adjustments have been made:

(a) Recognition of the acquisition of 300,000,000 Subscription Shares at a price of HK$2.93 per share, representing approximately 28.3% of FCL's issued share capital to be enlarged by the Subscription Shares, upon the completion of the Acquisition by cash of HK$879,000,000; and

(b) Recognition of goodwill of approximately HK$6,714,000 being the excess amount of consideration paid over the Group's share of fair value of net identifiable assets of the FCL Group as at 31 March 2014 as if the Acquisition had been completed on 31 December 2013. The accounting policies adopted in preparing these adjustments are applied on the same basis as the Group would normally adopt in preparing its annual financial statements.

Goodwill is estimated as follows:

	HK$'000
Consideration	879,000
Estimated fair value of net identifiable assets and liabilities of the FCL Group as at 31 March 2014 *(note)*	872,286
Goodwill arising from the Acquisition	6,714

Note: Estimated fair value of net identifiable assets and liabilities of the FCL Group as at 31 March 2014:

	HK$'000
Carrying amount of the FCL Group's net assets as at 31 March 2014 (based on FCL Group's financial data as set out in Appendix II of this circular)	2,203,284
Net proceeds from issue of the Subscription Shares	879,000
	3,082,284
The Group's ownership interest	28.3%
The Group's share of net assets of FCL Group	872,286

(c) Upon the completion of the Acquisition, the interest in FCL Group is represented by:

	HK$'000
Goodwill	6,714
Share of net assets	872,286
	879,000

The fair value of 28.3% equity interest in FCL is estimated primarily from the proportionate share of the FCL Group's net assets as at 31 March 2014. Upon the completion of the Acquisition, the fair value of the FCL Group will have to be reassessed. The identifiable assets and liabilities of the FCL Group at the date of Completion (as defined in this circular) of the Acquisition may be different from the fair value of the identifiable assets and liabilities used in the preparation of this Unaudited Pro Forma Financial Information, the final amount of the identifiable assets and liabilities, as well as goodwill to be recognised in connection with the Acquisition at the date of Completion may be different from the estimated amount stated herein.

In the preparation of the Unaudited Pro Forma Financial Information of the Enlarged Group, the Directors had performed an impairment assessment of the investment in the FCL Group in accordance with HKAS 39 "*Financial Instruments: Recognition and Measurement*" and the Group's accounting policies, and it is concluded that no impairment on the investment in the FCL Group is necessary as there is no objective evidence that the equity investment is impaired. The Directors will adopt consistent accounting policies to assess the impairment of carrying amount of interest in FCL Group in subsequent reporting periods in accordance with the requirements of HKAS 39, as appropriate.

(v) The adjustment of HK$900,000 represents the estimated expenses directly related to the Acquisition which are expensed in profit or loss. This adjustment will not have continuing profit or loss effect on the Group.

(vi) No adjustments have been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2013 nor of the FCL Group entered into subsequent to 31 March 2014.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS BY DIRECTORS

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company or their respective associates in the shares, underlying shares and debentures of the Company and 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 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 referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules (the "Model Code"), to be notified to the Company and the Stock Exchange, were as follows:

Long Positions in the Shares

Name of Directors	Capacity	Number of Shares	Approximate percentage of shareholding
Chuang Yueheng Henry	Beneficial owner	155,651,465	20.68%
Wong Ying Seung Asiong	Beneficial owner	44,026,000	5.85%

As at the Latest Practicable Date, no options over Shares have been granted to the current Directors under the share option scheme of the Company.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the 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 (i) to be notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

3. SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

Save as disclosed below, as at the Latest Practicable Date, according to the register of interests kept by the Company under Section 336 of the SFO and so far as was known to the Directors, no person or company had an interest or short position in Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital:

Name of shareholders	Capacity	Number of Shares	Approximate percentage of shareholding
Dr. Chuang Yueheng, Henry	Beneficial owner	155,651,465	20.68%
Unity Investments Holdings Limited	Interest of controlled corporation	55,000,000 *(Note)*	7.31%
Mr. Wong Ying Seung, Asiong	Beneficial owner	44,026,000	5.85%

Note: These shares are held by Great Panorama International Limited, a wholly-owned subsidiary of Gufalore Investments Limited, which is a company wholly owned by Unity Investments Holdings Limited.

4. DIRECTORS' INTERESTS IN ASSETS/CONTRACTS AND OTHER INTERESTS

As at the Latest Practicable Date, there were no contracts or arrangements in which a Director was materially interested and significant in relation to the business of the Group. As at the Latest Practicable Date, none of the Directors has, directly or indirectly, any interest in any assets which have since 31 December 2013 (being the date to which the latest published audited accounts of the Company were made up) been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

5. COMPETING INTEREST

To the best knowledge of the Directors, as at the Latest Practicable Date, none of the Directors or the controlling shareholders (as defined under the Listing Rules), nor their respective associates had any interests in a business, which competes or is likely to compete either directly or indirectly with the business of the Enlarged Group which would be required to be disclosed under the Listing Rules.

6. EXPERTS AND CONSENT

The following are the qualifications of the experts who have given opinions or advice, which are contained in this circular:

Name	Qualification
Mazars CPA Limited	Certified Public Accountants
Ernst & Young	Certified Public Accountants

As at the Latest Practicable Date, none of the above experts had direct or indirect shareholdings in any member of the Group, or any right (whether legal enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, or any interests, directly or indirectly, in any assets which have been acquired, disposed of by or leased to or which are proposed to be acquired, disposed of by or leased to the Company or any of their respective subsidiaries, respectively, since 31 December 2013, being the date to which the latest published audited financial statements of the Group were made up.

The above experts have given and have not withdrawn their written consent to the issue of this circular with the inclusion therein of its reports and references to its name in the form and context in which they appear.

7. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into or proposed to enter into any service contracts with the Company or any other member of the Group (excluding contracts expiring or determinable by the Company within a year without payment of any compensation (other than statutory compensation)).

8. MATERIAL ADVERSE CHANGE

The Directors confirm that, as at the Latest Practicable Date, they were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2013, being the date to which the latest published accounts of the Company were made up.

9. LITIGATION

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

10. MATERIAL CONTRACTS

The following contracts have been entered into by the Group (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of the Latest Practicable Date and are or may be material:

1. On 24 October 2012, the Company and Chung Nam Securities Limited (the "Selling Agent") entered into a selling agreement whereby the Selling Agent agreed to sell for a period of 6 months, on a best effort basis, the Company's bonds in a maximum principal amount of HK$250 million to individual, institutional or other professional investors in return for 7.5% commission.

2. On 21 November 2012, the Company and Chung Nam Securities Limited (the "Underwriter" entered into an underwriting agreement in relation to the underwriting arrangement of the Company's rights issue announced on 21 November 2012 and the Underwriter was entitled to a commission of 2.5% on the aggregate subscription price ranging from approximately HK$43.9 million to HK$52.7 million.

3. On 13 December 2012, Sunny Orient Investments Limited ("Sunny Orient", a direct wholly-owned subsidiary of the Company) entered into an agreement in relation to a hotel development project in Bhutan whereby Sunny Orient committed to making an investment for US$5 million (equivalent to approximately HK$39 million).

4. On 3 January 2013, the Company and Chung Nam Securities Limited (the "Placing Agent") entered into a placing agreement in respect of placing of shares of the Company whereby the Placing Agent was entitled to a placing commission of 2.5% on the aggregate placing price for approximately HK$16.7 million.

5. On 29 August 2013, Murtsa Capital Management Limited (the "Agent") acting as the agent of Pearl Decade Limited ("Pearl Decade", an indirect wholly-owned subsidiary of the Company), the Agent's parent company as its guarantor and Eagle Ride Investments Limited entered into a sale and purchase agreement in relation to, among others, the disposal of 15,960,500 shares in Radford Capital Investment Limited at the price of HK$1.4412 each by Pearl Decade through the Agent.

6. On 5 May 2014, the Company executed an unsecured bond in the principal amount of HK$10 million for issuing to an investor called Mr. Xu Yong and the bond would last for 7 years and would accrue interest at 5% per annum payable to the investor.

7. The Agreement.

8. On 20 June 2014, Willie Link Limited (a wholly-owned subsidiary of the Company) executed a joint venture agreement together with a joint venture partners' agreement with Freeman Financial Services Limited in relation to an arrangement of jointly holding both parties' investment in HEC Capital Limited under a newly incorporated joint venture company called Freewill Holdings Limited.

11. CORPORATE INFORMATION

Registered office and Principal office of the Company	32nd Floor, China United Centre 28 Marble Road North Point Hong Kong
Authorised representatives	Mr. Wong Ying Seung, Asiong Mr. Man Wai Chuen
Company secretary	Mr. Man Wai Chuen, *FCCA, CPA, FCS*

Legal advisers to the Company in relation to the Acquisition	Shum & Co., Solicitors 28/F., China United Centre 28 Marble Road North Point Hong Kong
Auditor and independent reporting accountant for the Group's financial information	Mazars CPA Limited Certified Public Accountants 42nd Floor, Central Plaza 18 Harbour Road Wanchai Hong Kong
Independent reporting accountants on FCL Group's financial information	Ernst & Young Certified Public Accountants 22/F, CITIC Tower 1 Tim Mei Avenue Central Hong Kong
Share registrar and Transfer Office of the Company	*Computershare Hong Kong Investor Services Limited* Transfer Office Shops 1712-1716 17th Floor, Hopewell Centre 183 Queen's Road East Wanchai Hong Kong *Investor Centre* 17M Floor, Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Principal bankers	Chong Hing Bank Limited Ground Floor, Chong Hing Bank Centre 24 Des Voeux Road Central Hong Kong The Hongkong and Shanghai Banking Corporation Limited HSBC Main Building 1 Queen's Road Central Hong Kong

12. MISCELLANEOUS

The English text of this circular shall prevail over the Chinese text in case of inconsistencies.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents for inspection during office hours on any weekday (except Saturdays, Sunday and public holidays) at the registered office of the Company at 32/F., China United Centre, 28 Marble Road, North Point, Hong Kong from the date of this circular up to and the date of the GM.

(a) the articles of association of the Company;

(b) the annual reports of the Company for the years ended 31 December 2011, 2012 and 2013 respectively;

(c) the accountants' report of FCL Group, the text of which is set out in Appendix II of this circular;

(d) the report on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular;

(e) the material contracts disclosed in the section headed "Material Contracts" in this Appendix;

(f) the written consents from the experts as referred to in the section headed "Experts" in this Appendix; and

(g) this circular.

WILLIE INTERNATIONAL

Willie International Holdings Limited
威利國際控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 273)

NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that a general meeting of Willie International Holdings Limited威利國際控股有限公司 (the "**Company**") will be held at 30th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong at 10:00 a.m. on Thursday, 4 September 2014 for the purpose of considering and, if thought fit, passing, with or without amendments, the following resolution which will be proposed as an ordinary resolution:-

ORDINARY RESOLUTION

"THAT

(a) the agreement ("Agreement") dated 7 May 2014 entered into between Co-Lead Holdings Limited ("Co-Lead") and Freeman Corporation Limited ("FCL") in relation to the proposed acquisition of 300,000,000 new shares of FCL to be issued by FCL to Co-lead, which has been produced to the meeting and marked "A" and signed by the chairman of the meeting for the purpose of identification, and all transactions contemplated thereunder be and are hereby approved, ratified and confirmed; and

(b) any one or more of the directors of the Company be and is hereby authorized for and on behalf of the Company to do all acts and things and execute any agreement, deeds, instruments and any other documents, under hand or under seal (where necessary) in accordance with the articles of association of the Company, or agree to such variation, amendment, supplement or wavier of matters relating thereto as are, in the opinion of such director or directors, necessary, appropriate or desirable to give full effect to and/or to complete the Agreement and all transactions contemplated thereunder."

By Order of the Board
WILLIE INTERNATIONAL HOLDINGS LIMITED
Dr. Chuang Yueheng, Henry
Chairman

Hong Kong, 19 August 2014

Notes:

1. Any member of the Company entitled to attend and vote at the meeting is entitled to appoint another person as his proxy to attend and vote instead of him. On a poll votes may be given either personally or by proxy. A proxy need not be a member of the Company. A member may appoint more than one proxy to attend on the same occasion.

2. To be valid, the instrument appointing a proxy must be in writing under the hand of the appointor or of his attorney duly authorised in writing, or it the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.

3. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time for holding the meeting or adjourned meeting or poll (as the case may be) at which the person named in such instrument proposes to vote, and in default the instrument of proxy shall not be treated as valid.

4. Where there are joint registered holders of any share, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present whose name stands first on the register in respect of such share shall alone be entitled to vote in respect thereof.