THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your securities in Freeman Corporation Limited (the "Company"), you should at once hand this prospectus and the accompanying provisional allotment letter and form of application for excess Rights Shares 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 the transferee.

Dealings in the securities of the Company and the Rights Shares (as defined herein) in their nil-paid form and fully-paid form may be settled through CCASS (as defined herein) and you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser for details of those settlement arrangements and how such arrangements may affect your rights and interests.

A copy of each of the Prospectus Documents, having attached thereto the documents specified under the paragraph headed "Documents delivered to the Registrar of Companies" in appendix IV of this prospectus, has been registered with the Registrar of Companies in Hong Kong pursuant to section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Registrar of Companies in Hong Kong takes no responsibility as to the contents of any of the documents referred to above.

FREEMAN CORPORATION LIMITED

民豐控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 279)

RIGHTS ISSUE ON THE BASIS OF ONE RIGHTS SHARE FOR EVERY SHARE HELD ON RECORD DATE

Joint Financial Advisers

結好融資有限公司
GET NICE CAPITAL LIMITED

VEDA | CAPITAL
智略資本

Underwriter of the Rights Issue

結好證券有限公司
GET NICE SECURITIES LIMITED

The latest time for acceptance of and payment for the Rights Shares (as defined herein) is at 4:00 p.m. on Friday, 13 March 2009. The procedure for acceptance and payment and/or transfer of the Rights Shares is set out on pages 17 to 18 of this prospectus.

The Shares are dealt in on an ex-rights basis from Thursday, 19 February 2009. Dealings in the Rights Shares in the nil-paid form will take place from Tuesday, 3 March 2009 to Tuesday, 10 March 2009 (both dates inclusive). If the conditions of the Rights Issue are not fulfilled or the Underwriting Agreement is terminated by the Underwriter, the Rights Issue will not proceed. Any dealing in the nil-paid Rights Shares during the period from Tuesday, 3 March 2009 to Tuesday, 10 March 2009 will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

The Underwriter may terminate the arrangements set out in the Underwriting Agreement by notice in writing issued to the Company at any time prior to 4:00 p.m. on the Settlement Date if there occurs: (i) an introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof); or (ii) any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic or currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not such are of the same nature as any of the foregoing) or of the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities market; or (iii) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; and in the reasonable opinion of the Underwriter, such change would have a material and adverse effect on the business, financial or trading position or prospects of the Group as a whole or the success of the Rights Issue or make it inadvisable or inexpedient to proceed with the Rights Issue or make it inadvisable or inexpedient to proceed with the Rights Issue. If, at or prior to 4:00 p.m. on the Settlement Date: (i) the Company commits any material breach of or omits to observe any of the obligations, undertakings, representations or warranties expressed to be assumed by it under the Underwriting Agreement which breach or omission will have a material and adverse effect on its business, financial or trading position; or (ii) the Underwriter shall receive notification pursuant to the Underwriting Agreement of, or shall otherwise become aware of, the fact that any of the representations or warranties contained in the Underwriting Agreement was, when given, untrue or inaccurate or would be untrue or inaccurate if repeated as provided in the Underwriting Agreement, and the Underwriter shall, in its reasonable opinion, determine that any such untrue representation or warranty represents or is likely to represent a material adverse change in the business, financial or trading position or prospects of the Group taken as a whole or is otherwise likely to have a materially prejudicial effect on the Rights Issue; or (iii) the Company shall, after any matter or event referred to in the relevant clauses of the Underwriting Agreement has occurred or come to the Underwriter's attention, fail promptly to send out any announcement or circular (after the despatch of the Prospectus Documents), in such manner (and as appropriate with such contents) as the Underwriter may reasonably request for the purpose of preventing the creation of a false market in the securities of the Company, the Underwriter shall be entitled (but not bound) by notice in writing issued by the Underwriter to the Company to elect to treat such matter or event as releasing and discharging the Underwriter from its obligations under the Underwriting Agreement.

Upon the giving of such notice, all obligations of the Underwriter under the Underwriting Agreement shall cease and determine and none of the parties thereunder shall have any claim against the other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement provided that the Company shall remain liable to pay to the Underwriter the costs, fees and expenses (but not the underwriting commission) referred to in the Underwriting Agreement.

27 February 2009

SUMMARY OF THE RIGHTS ISSUE

The following information is derived from, and should be read in conjunction with, the full text of this prospectus:

Number of Rights Shares to be issued	:	977,317,496 Rights Shares
Proceeds to be raised	:	approximately HK$103.8 million after expenses
Subscription price	:	HK$0.11
Latest time for acceptance and payment	:	4:00 p.m. Friday, 13 March 2009
Basis of the Rights Issue	:	one Rights Share for every Share held on Record Date
Rights of excess applications	:	provisional allottees have the right to apply for Rights Shares in excess of their provisional allotments

EXPECTED TIMETABLE

The timetable below is indicative only and may be varied by agreement between the Company and the Underwriter. The Company will inform the Shareholders of any changes to the expected timetable as and when appropriate. All times and dates in this prospectus refer to Hong Kong local times and dates.

	2009
Record Date	Thursday, 26 February
Register of members reopens	Friday, 27 February
Posting of Prospectus	Friday, 27 February
First day of dealings in nil-paid Rights Shares	Tuesday, 3 March
Latest time for splitting of nil-paid Rights Shares	4:30 p.m., Thursday, 5 March
Last day of dealings in nil-paid Rights Shares	Tuesday, 10 March
Latest time for payment for and acceptance of Rights Shares	4:00 p.m. Friday, 13 March
Settlement Date	Tuesday, 17 March
Rights Issue becomes unconditional	after 4:00 p.m., Tuesday, 17 March
Announcement of results of acceptance and excess application of the Rights Issue	Wednesday, 18 March
Despatch of refund cheques for wholly and partially unsuccessful excess application	Monday, 23 March
Despatch of certificates for fully-paid Rights Shares	Monday, 23 March
First day of dealings in the fully-paid Rights Shares	Wednesday, 25 March

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

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

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

2. a "black" rainstorm warning

in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the latest date for acceptance of the offer of Rights Shares. Instead the latest time for payment for and acceptance of the Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force in Hong Kong at any time between 12:00 noon and 4:00 p.m..

If the latest time for payment for and acceptance of the Rights Shares does not take place on the expected latest date for acceptance of the offer of the Rights Shares, the dates mentioned in this section may be affected. An announcement will be made by the Company in such event.

CONTENTS

Page

"Acceptance Date"	13 March 2009 (or such other date as the Underwriter may agree in writing with the Company as the latest date for acceptance of, and payment for, Rights Shares)
"associate"	the meaning ascribed thereto under the Listing Rules
"Board"	the board of Directors
"Business Day"	a day on which banks are generally open for business in Hong Kong other than a Saturday
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"Company"	Freeman Corporation Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange
"Directors"	directors of the Company
"EAF"	the excess application form issued in connection with the Rights Issue
"EGM"	the extraordinary general meeting of the Company convened at 30th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong at 10:00 a.m. on Thursday, 26 February 2009 to approve the Rights Issue
"Enlarged Group"	the Group as enlarged by the Hennabun Group
"Equity Spin"	Equity Spin Investments Limited, a company incorporated in the British Virgin Islands with limited liability
"Equity Spin Convertible Note"	the convertible note to be issued by the Company in the principal amount of HK$105.8 million to Equity Spin as set out in the announcement by the Company dated 10 December 2008

"General Mandate"	the general mandate to issue and allot Shares granted by Shareholders to the Directors at the annual general meeting of the Company held on 25 August 2008
"Group"	the Company and its subsidiaries
"HKSCC"	Hong Kong Securities Clearing Company Limited
"Hennabun"	Hennabun Capital Group Limited, a company incorporated in the British Virgins Island
"Hennabun Group"	Hennabun and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Shareholders"	Shareholder(s) other than Dr. Yang Fan Shing, Andrew, Ms. Kwok Wai Ming and their respective associates
"Last Trading Day"	8 January 2009, being the last trading day before the suspension of the trading of the Shares, pending the release of the announcement of the Company dated 12 January 2009
"Latest Practicable Date"	24 February 2009, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Non-Qualifying Shareholders"	Shareholders whose names appear on the register of members of the Company on the Record Date and whose addresses as shown on such register are outside Hong Kong where the Directors, based on legal opinions provided by legal advisers, consider it necessary or expedient not to offer the Rights Issue to such shareholders on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
"Options	the options to subscribe for Shares under the Share Option Scheme

"Overseas Shareholders"	Shareholders whose names appear on the register of members of the Company at the close of business on the Record Date and whose addresses as shown on such register are outside Hong Kong
"PAL"	the provisional allotment letter in respect of the Rights Issue issued to the Qualifying Shareholders in connection with the Rights Issue
"Posting Date"	27 February 2009, or such other date as the Underwriter may agree in writing with the Company as the date of despatch of the Prospectus Documents
"PRC"	the People's Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Prospectus Documents"	this prospectus, PAL and EAF
"Qualifying Shareholders"	Shareholders, other than the Non-Qualifying Shareholders, whose names appear on the register of members of the Company at the close of business on the Record Date
"Record Date"	26 February 2009 or such other date as the Underwriter may agree in writing with the Company as the date by reference to which entitlements to the Rights Issue are to be determined
"Registrar"	the branch share registrar of the Company in Hong Kong, being Tricor Secretaries Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong
"Rights Issue"	the issue by way of rights of one Rights Share for every one Share in issue and held on the Record Date at a price of HK$0.11 per Rights Share
"Rights Shares"	977,317,496 Shares to be issued and allotted under the Rights Issue

"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Settlement Date"	17 March 2009, being the second Business Day following the Acceptance Date (or such other time or date as the Underwriter and the Company may agree in writing)
"Shares"	existing shares of HK$0.10 each in the share capital of the Company
"Shareholders"	holders of Shares
"Share Option Scheme"	the share option scheme of the Company adopted on 23 August 2002
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Underwriter"	Get Nice Securities Limited, a corporation deemed licensed to carry out business in type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance), and type 9 (asset management) regulated activities under the SFO, which is not a connected person (as defined in the Listing Rules) of the Company
"Underwriting Agreement"	the underwriting agreement dated 8 January 2009 entered into between the Company and the Underwriter in relation to the underwriting arrangement in respect of the Rights Issue
"Underwritten Shares"	all the Rights Shares other than the Rights Shares which may be allotted to Equity Spin
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"%" or "per cent."	percentage or per centum

FREEMAN CORPORATION LIMITED
民豐控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 279)

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

Non-executive Director:
Mr. Kwong Wai Tim, William

Independent non-executive Directors:
Mr. Chiu Siu Po
Ms. Hui Wai Man, Shirley
Mr. Gary Drew Douglas
Mr. Peter Temple Whitelam

Alternate Director to Ms. Kwok Wai Ming:
Ms. Chong Wing Sze

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

Principal office of business in Hong Kong:
8th Floor, China United Centre
28 Marble Road, North Point
Hong Kong

27 February 2009

To the Shareholders

Dear Sir or Madam,

RIGHTS ISSUE ON THE BASIS OF ONE RIGHTS SHARE FOR EVERY SHARE HELD ON RECORD DATE

INTRODUCTION

On 8 January 2009, the Company entered into the Underwriting Agreement and proposed to raise approximately HK$107.5 million before expenses (assuming no Options are exercised on or before the Record Date) to approximately HK$108.6 million before expenses (assuming all of the Options are exercised on or before the Record Date) by way of the Rights Issue of not less than 977,317,496 Rights Shares and not more than 986,926,396 Rights Shares at a price of HK$0.11 per Rights Share payable in full on acceptance.

The estimated net proceeds of the Rights Issue will be between approximately HK$103.8 million (assuming no Options are exercised on or before the Record Date) to HK$104.9 million (assuming all of the Options are exercised on or before the Record Date). The Company originally intended to utilize approximately HK$90 million for the subscription for the convertible note pursuant to the subscription agreement ("**CN Subscription Agreement**") in relation to a convertible note to be issued by Hennabun and the remaining proceeds as the general working capital. As completion of the CN Subscription Agreement which took place on 19 February 2009 was temporarily funded by internal resources, the HK$90 million of the proceeds of the Rights Issue which was intended to be utilized as subscription money under the CN Subscription Agreement will now be used to replenish the internal resources of the Group used for the completion of the CN Subscription Agreement.

The purpose of this prospectus is to provide the Shareholders with further details about the Rights Issue, certain financial information and other information of the Group.

RIGHTS ISSUE

Basis of the Rights Issue	:	one Rights Share for every Share held on the Record Date
Number of Shares in issue	:	977,317,496 Shares as at the Latest Practicable Date
Number of Rights Shares	:	977,317,496 Rights Shares
Subscription price per Rights Share	:	HK$0.11 per Rights Share

Undertakings

Upon completion of the acquisition by the Company of shares in Hennabun as described in the announcement of the Company dated 10 December 2008 and the circular of the Company dated 30 January 2009, a non-interest bearing convertible note in the principal amount of HK$105.8 million will be issued by the Company to Equity Spin.

Pursuant to the Underwriting Agreement, Equity Spin has irrevocably undertaken to each of the Company and the Underwriter that in the event that the Equity Spin Convertible Note is issued to Equity Spin and new Shares ("**Conversion Shares**") are issued and allotted to Equity Spin upon exercise of conversion rights under the Equity Spin Convertible Note on or before the Record Date:

(i) the Conversion Shares will remain registered in the name of Equity Spin till the Record Date;

(ii) Equity Spin will take up and pay for or procure to be taken up and paid for on the terms of the Prospectus Documents all the Rights Shares which will constitute the provisional allotment of Rights Shares in respect of the Conversion Shares beneficially owned by Equity Spin pursuant to the terms of the Rights Issue; and

(iii) Equity Spin will procure that the acceptances in respect of the aforesaid Rights Shares shall be lodged with the registrar of the Company or the Company, with payment in full therefor in cash (whether by cheque, bank cashier's order or such other form as the Company may approve), by no later than 4:00 p.m. on the Acceptance Date.

Pursuant to the Underwriting Agreement, the Company has undertaken to the Underwriter that save with the consent of the Underwriter or pursuant to the Options and/or the Equity Spin Convertible Note, no further share capital or loan capital will be issued by the Company and no alteration will be made in the rights attached to any of the issued Shares pending the commencement of dealings in the fully paid Rights Shares. It is currently expected that the Equity Spin Convertible Note will be issued after the Record Date.

Rights Shares

As at the Latest Practicable Date, there are outstanding Options to subscribe for an aggregate of 9,608,900 Shares. Assuming all of the Options are exercised on or before the Record Date, a total of 9,608,900 new Shares may fall to be issued and hence an additional 9,608,900 Rights Shares would be issued, in which the maximum number of Rights Shares that may be issued by the Company will become 986,926,396.

Save for the above outstanding Options, the Company has no other outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares as at the Latest Practicable Date.

Assuming no Options are exercised on or before the Record Date, the 977,317,496 nil-paid Rights Shares proposed to be provisionally allotted represent 50% of the Company's issued share capital as enlarged by the issue of the Rights Shares.

Qualifying Shareholders

The Prospectus Documents are being sent to Qualifying Shareholders only.

To qualify for the Rights Issue, a Shareholder must:

1. be registered as a member of the Company at the close of business on the Record Date; and

2. be a Qualifying Shareholder.

In order to be registered as members of the Company at the close of business on the Record Date, owners of Shares must have lodged any transfers of Shares (together with the relevant share certificates) with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 20 February 2009.

Closure of register of members

The register of members of the Company has been closed from 23 February 2009, to 26 February 2009, both dates inclusive. No transfers of the Shares was registered during this period.

Rights of Overseas Shareholders

The Prospectus Documents are not intended to be registered under the applicable securities legislation of any jurisdiction other than Hong Kong.

Based on the register of members of the Company on the Latest Practicable Date, there were five Overseas Shareholders with registered addresses in three jurisdictions outside Hong Kong. Pursuant to Rule 13.36(2)(a) of the Listing Rules, the Board has made enquiries with its legal advisers in Australia, PRC and Macau as to whether there is any legal restriction under the applicable securities legislation of the relevant jurisdiction or requirement of any relevant regulatory body or stock exchange with respect to the offer of Rights Shares to such Overseas Shareholders.

The Company has been advised by its legal advisers on the laws of Australia that the Prospectus Documents will be required to be lodged with the relevant regulatory authorities in Australia and the Company would need to take additional steps to comply with the regulatory requirements of the relevant regulatory authorities in Australia. Therefore, the Company would be required to comply with the relevant laws and regulations if the Rights Issue is to be offered to the Overseas Shareholder with a registered address in Australia. Having considered the circumstances, the Directors are of the view that it is not expedient to extend the Rights Issue to such Overseas Shareholder taking into consideration that the time and costs involved in complying with the legal requirements of Australia will outweigh the possible benefits to the relevant Overseas Shareholder and the Company. Thus, the Rights Issue will not be extended to the Overseas Shareholder in Australia and the Rights Shares which would otherwise have been offered to it shall be sold if a premium net of expenses is obtained and to the extent that such rights can be sold, the net proceeds of such sale (after deducting the expenses of sale) will be distributed to the Non Qualifying Shareholders pro rata to their holding of shares provided further that individual amounts of HK$100 or less shall be retained for the benefit of the Company. The Prospectus is sent, for information only, to such Overseas Shareholder with a registered address in Australia but not for the PAL and EAF to that Overseas Shareholder.

The Company has also been advised by its legal advisers on the laws of Macau and PRC that there is no legal restriction under the applicable legislation of the relevant jurisdictions or requirement of any relevant regulatory body or stock exchange with respect to the offer of the Rights Issue to the Overseas Shareholders in the relevant jurisdictions. Based on the advice of the Company's legal advisers on the laws of Macau and PRC, the Directors believe that the Prospectus Documents would not be required to be registered under the relevant laws and regulations of these two jurisdictions and may be despatched to the Overseas Shareholders with registered addresses in these two jurisdictions without any restrictions. In view of this, the Directors have decided to extend the Rights Issue to the Overseas Shareholders with registered addresses in Macau and PRC and such Overseas Shareholders, together with the Shareholders with registered addresses in Hong Kong, are Qualifying Shareholders. The Prospectus Documents are sent to such Qualifying Shareholders.

Arrangements will be made for Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses, of more than HK$100 will be paid pro rata to the Non-Qualifying Shareholders. The Company will retain individual amounts of HK$100 or less for the benefits of the Company. Any unsold entitlement of Non-Qualifying Shareholders, together with any Rights Shares provisionally allotted but not accepted, will be made available for excess application on EAFs by Qualifying Shareholders.

Subscription price

The subscription price for the Rights Shares is HK$0.11 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, application for excess Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The subscription price represents:

(a) a discount of about 28.57% to the closing price of HK$0.154 per Share as quoted on the Stock Exchange on the Last Trading Day;

(b) a discount of about 16.67% to the theoretical ex-rights price of approximately HK$0.132 based on the closing price of HK$0.154 per Share as quoted on the Stock Exchange on the Last Trading Day;

(c) a discount of about 26.67% to the average closing price of approximately HK$0.15 per Share for the five trading days ended on the Last Trading Day; and

(d) a discount of about 26.67% to the closing price of HK$0.15 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The subscription price for the Rights Shares was determined after arm's length negotiations between the Company and the Underwriter with reference to the market prices of the Shares prior to the Last Trading Day. The Directors consider the terms of the Rights Issue, including the subscription price, to be fair and reasonable and in the best interests of the Company and the Shareholders as a whole. The net price raised per Rights Share (assuming no Options are exercised on or before the Record Date) will be approximately HK$0.106 per Share.

Basis of provisional allotment

The basis of the provisional allotment shall be one Rights Share for every Share in issue and held on Record Date, being not less than 977,317,496 Rights Shares and not more than 986,926,396 Rights Shares at a price of HK$0.11 per Rights Share. Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by completing the PAL and lodging the same with a remittance for the Rights Shares being applied for.

Fractions of Rights Shares

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

Status of the Rights Shares

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

Application for excess Rights Shares

Qualifying Shareholders may apply, by way of excess application, for any unsold entitlements of the Non-Qualifying Shareholders and for any Rights Shares provisionally allotted but not accepted.

Applications for excess Rights Shares may be made by completing the EAFs for application for excess Rights Shares and lodging the same with a separate remittance for the excess Rights Shares being applied for. The Directors will allocate the excess Rights Shares at their discretion on a fair and equitable basis on the following principles:

(1) preference will be given to applications for less than a board lot of Rights Shares where it appears to the Directors that such applications are made to round up odd-lot holdings to whole-lot holdings and that such applications are not made with an intention to abuse this mechanism; and

(2) subject to availability of excess Rights Shares after allocation under principle (1) above, the excess Rights Shares will be allocated to Qualifying Shareholders based on a sliding scale with reference to the number of the excess Rights Shares applied by them (i.e. Qualifying Shareholders applying for smaller numbers of Rights Shares are allocated with a higher percentage of successful application but will receive less number of Rights Shares; whereas Qualifying Shareholders applying for larger numbers of Rights Shares are allocated with a smaller percentage of successful application but will receive higher number of Rights Shares).

Investors with their Shares held by a nominee company should note that the Board will regard the nominee company as a single Shareholder according to the register of members of the Company. Investors with their Shares held by a nominee company are advised to consider whether they would like to arrange for the registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date.

Investors whose Shares are held by their nominee(s) and who would like to have their names registered on the register of members of the Company, must have lodged all necessary document with the Registrar for completion of the relevant registration by 4:30 p.m. on 20 February 2009.

Share certificates and refund cheques for Rights Issue

Subject to the fulfillment of the conditions of the Rights Issue, certificates for all fully-paid Rights Shares are expected to be posted to those entitled thereto by ordinary post at their own risk on or before 23 March 2009. Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares (if any) are expected to be posted on or before 23 March 2009 by ordinary post to the applicants at their own risk.

The first day of dealings in the Rights Shares in their fully-paid form is expected to commence on Wednesday, 25 March 2009.

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms to be issued and allotted pursuant to the Rights Issue.

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement dates of dealings in the Rights Shares in both their nil-paid and fully-paid forms or such other dates as may be determined by HKSCC.

All necessary arrangements will be made to enable the Rights Shares in both their nil-paid and fully-paid forms to be admitted to CCASS. You should seek the advice of your licensed securities dealer or other professional adviser for details of those settlement arrangements and how such arrangements will affect your rights and interests.

Dealings in the Rights Shares in both their nil-paid and fully-paid forms (both in board lots of 10,000), which are registered in the branch register of members of the Company in Hong Kong will be subject to the payment of stamp duty in Hong Kong.

Taxation

Qualifying Shareholders are recommended to consult their professional advisors if they are in any doubt as to the tax implications of the holding or disposal of, or dealing in the Rights Shares in both their nil-paid and fully-paid forms and, as regards the Non-Qualifying Shareholders, their receipt of the net proceeds of sale of the Rights Shares otherwise falling to be issued to them under the Rights Issue. It is emphasised that none of the Company, its Directors or any other parties involved in the Rights Issue accepts responsibility for any tax effects or liabilities of holders of the Rights Shares resulting from the purchase, holding or disposal of, or dealing in the Rights Shares in both their nil-paid and fully-paid forms.

UNDERWRITING AGREEMENT

The Underwriter has entered into the Underwriting Agreement on 8 January 2009, pursuant to which, the Underwriter agreed to fully underwrite not less than 977,317,496 Rights Shares and not more than 986,926,396 Rights Shares. To the best of Directors' knowledge, information and belief, having made all reasonable enquiries, the Underwriter and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

Pursuant to the Underwriting Agreement, the Underwriter has undertaken with the Company that (a) it shall use all reasonable endeavours to procure that each of the subscribers or purchasers of Underwritten Shares procured by it under the relevant terms of the Underwriting Agreement, shall be a third party independent of, not acting in concert with and not connected with the Directors, chief executive or substantial shareholders of the Company or their respective associates; and (b) the Underwriter will enter into sub-underwriting agreements such that none of the Underwriter and the sub-underwriters (together with parties acting in concert with each of them) will hold 30% or more of the issued share capital of the Company immediately after the Rights Issue; and (c) the Underwriter shall and shall cause the sub-underwriters to procure independent placees to take up such number of Rights Shares as necessary to ensure that the public float requirements under Rule 8.08 of the Listing Rules are complied with immediately after the Rights Issue.

Commission

The Company will pay the Underwriter an underwriting commission of 2.5% of the aggregate subscription price of the Underwritten Shares, out of which the Underwriter will or may pay any sub-underwriting fees. The Directors believe that the underwriting commission accords with market rates.

Conditions of the Underwriting Agreement

The obligations of the Underwriter under Underwriting Agreement are conditional on:–

(i) the passing at the EGM on or before the Posting Date of resolutions to the Rights Issue in accordance with the Listing Rules;

(ii) the delivery to the Stock Exchange and registration by the Registrar of Companies in Hong Kong respectively on or prior to the Posting Date of one copy of each of the Prospectus Documents each duly certified in compliance with section 342C of the Companies Ordinance (and all other documents required to be attached thereto);

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

(iv) compliance by the Company with certain obligations under the Underwriting Agreement;

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

(vi) the Shares remaining listed on the Stock Exchange at all times prior to the Settlement Date and the current listing of the Shares not having been withdrawn or the trading of the Shares not having been suspended for a consecutive period of more than 5 trading days (other than any suspension pending clearance of the announcement of the Company dated 12 January 2009 in relation to the Rights Issue) and no indication being received before 4:00 p.m. on the Settlement Date from the Stock Exchange to the effect that such listing may be withdrawn or objected to (or conditions will or may be attached thereto) including but not limited to as a result of the Rights Issue or in connection with the terms of the Underwriting Agreement or for any other reason;

(vii) the obligations of the Underwriter under the Underwriting Agreement not being terminated by the Underwriter in accordance with the terms thereof; and

(viii) the delivery to the Company and the Underwriter of the undertaking by Equity Spin duly executed by Equity Spin in favour of the Company and the Underwriter.

In the event that the above conditions (other than the conditions (i), (ii) and (v) which cannot be waived) have not been satisfied and/or waived in whole or in part by the Underwriter on or before the Posting Date or in the event that the condition (v) has not been satisfied on or before 4:00 p.m. on the Settlement Date (or, in each case, such later date as the Underwriter and the Company may agree), all liabilities of the parties hereto shall cease and determine and neither of the parties shall have any claim against the other save that all such reasonable costs, fees and other out of pocket expenses (excluding sub underwriting fees and related expenses) as have been properly incurred by the Underwriter in connection with the underwriting of the Underwritten Shares by the Underwriter (but not the underwriting commission) shall be borne by the Company.

The Company shall use all reasonable endeavours to procure the fulfilment of the above conditions (to the extent it is within its power to do so), and shall do all the things required to be done by it pursuant to the Prospectus Documents or otherwise reasonably necessary to give effect to the Rights Issue and the arrangements contemplated by the Underwriting Agreement.

As at the Latest Practicable Date, condition (viii) has been fulfilled.

Termination and force majeure

The Underwriter may terminate the arrangements set out in the Underwriting Agreement by notice in writing issued to the Company at any time prior to 4:00 p.m. on the Settlement Date if there occurs:–

1. an introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof); or

2. any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic or currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not such are of the same nature as any of the foregoing) or of the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities market; or

3. any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out;

and in the reasonable opinion of the Underwriter, such change would have a material and adverse effect on the business, financial or trading position or prospects of the Group as a whole or the success of the Rights Issue or make it inadvisable or inexpedient to proceed with the Rights Issue.

If, at or prior to 4:00 p.m. on the Settlement Date:

4. (i) the Company commits any material breach of or omits to observe any of the obligations, undertakings, representations or warranties expressed to be assumed by it under the Underwriting Agreement which breach or omission will have a material and adverse effect on its business, financial or trading position; or

   (ii) the Underwriter shall receive notification pursuant to the Underwriting Agreement of, or shall otherwise become aware of, the fact that any of the representations or warranties contained in the Underwriting Agreement was, when given, untrue or inaccurate or would be untrue or inaccurate if repeated as provided in the Underwriting Agreement, and the Underwriter shall, in its reasonable opinion, determine that any such untrue representation or warranty represents or is likely to represent a material adverse change in the business, financial or trading position or prospects of the Group taken as a whole or is otherwise likely to have a materially prejudicial effect on the Rights Issue; or

   (iii) the Company shall, after any matter or event referred to in the relevant clauses of the Underwriting Agreement has occurred or come to the Underwriter's attention, fail promptly to send out any announcement or circular (after the despatch of the Prospectus Documents), in such manner (and as appropriate with such contents) as the Underwriter may reasonably request for the purpose of preventing the creation of a false market in the securities of the Company,

the Underwriter shall be entitled (but not bound) by notice in writing issued by the Underwriter to the Company to elect to treat such matter or event as releasing and discharging the Underwriter from its obligations under the Underwriting Agreement.

Upon the giving of such notice, all obligations of the Underwriter under the Underwriting Agreement shall cease and determine and neither of the parties thereto shall have any claim against the other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement provided that the Company shall remain liable to pay to the Underwriter the costs, fees and expenses (but not the underwriting commission) referred to in the Underwriting Agreement.

WARNING OF THE RISKS OF DEALING IN SHARES AND RIGHTS SHARES

The Shares are dealt in on an ex-rights basis from 19 February 2009. Dealings in the Rights Shares in the nil-paid form will take place from 3 March 2009 to 10 March 2009 (both dates inclusive). If the conditions of the Underwriting Agreement are not fulfilled or the Underwriting Agreement is terminated by the Underwriter, the Rights Issue will not proceed.

Any Shareholders or other persons contemplating selling or purchasing Rights Shares in their nil-paid form during the period from 3 March 2009 to 10 March 2009 (both dates inclusive) who are in any doubt about their position are recommended to consult their professional advisers. Any Shareholders or other persons dealing in the Shares up to the date on which all the conditions to which the Rights Issue is subject are fulfilled (and the date on which the Underwriter's right of termination of the Underwriting Agreement ceases) and any persons dealing in the nil-paid Rights Shares during the period from 3 March 2009 to 10 March 2009 (both dates inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

PROCEDURE FOR ACCEPTANCE OR TRANSFER

A PAL is enclosed with this Prospectus which entitles the Qualifying Shareholders to subscribe for the number of Rights Shares indicated on the PAL. If the Qualifying Shareholders wish to exercise the right to subscribe for all the Rights Shares specified in the enclosed PAL, the Qualifying Shareholders must lodge the PAL in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance of the number of Rights Shares provisionally allotted to the Qualifying Shareholders, with the Registrar at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by not later than 4:00 p.m. on Friday, 13 March 2009. All remittances must be made in Hong Kong dollars and cheques or cashier's orders must be drawn on a bank account in Hong Kong and made payable to "Freeman Corporation Limited – Provisional Allotment Account" and crossed "Account Payee Only".

It should be noted that unless the PAL, together with the appropriate remittance, has been lodged with the Registrar by 4:00 p.m. on Friday, 13 March 2009, whether by the original allottee or any person in whose favour the rights have been transferred, that provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled.

If the Qualifying Shareholders wish to accept only part of their provisional allotment or to transfer all or part of their rights to subscribe for the Rights Shares provisionally allotted under the PAL to more than one person, the entire PAL must be surrendered by not later than 4:30 p.m. on Thursday, 5 March 2009 to the Registrar who will cancel the original PAL and issue a new PAL in the denominations required. The PALs contain full information regarding the procedures to be followed if the Qualifying Shareholders wish to accept only part of the provisional allotment or if the Qualifying Shareholders wish to transfer all or part of their provisional allotment.

All cheques and cashier's orders will be presented for payment following receipt and any interest earned on such monies will be retained for the benefit of the Company. Any PAL in respect of which a cheque or cashier's order is dishonoured on first presentation is liable to be rejected and in that event the provisional allotment of Rights Shares and all rights thereunder will be deemed to have been declined and will be cancelled. If the Underwriter exercises the right to terminate the obligations of the Underwriter under the Underwriting Agreement before 4:00 p.m. on Tuesday, 17 March 2009, being the Settlement Date, the monies received in respect of the relevant provisional allotment of Rights Shares will be returned to the relevant persons without interest, by means of cheques to be despatched by the ordinary post at the risk of the relevant applicants on or before Monday, 23 March 2009.

Shareholding in the Company

Assuming that (i) there is no change in the shareholding structure of the Company from the Latest Practicable Date to immediately before completion of the Rights Issue; (ii) there is no Options exercised, no issue or conversion of the Equity Spin Convertible Note and the General Mandate is not utilised on or before the Record Date:

Shareholders	**As at the Latest Practicable Date**		**Immediately after completion of the Rights Issue assuming all Shareholders take up their respective allotment of Rights Shares in full**		**Immediately after completion of the Rights Issue assuming no Shareholders takes up any of the Rights Shares and the Underwriter takes up the Rights Shares to the maximum extent**	
	Number of Shares	*%*	*Number of Shares*	*%*	*Number of Shares*	*%*
Directors						
– Dr. Yang Fan Shing, Andrew *(Note 1)*	540,000	0.05	1,080,000	0.05	540,000	0.03
– Ms. Kwok Wai Ming *(Note 1)*	4,668,000	0.48	9,336,000	0.48	4,668,000	0.24
Total Directors' interests	5,208,000	0.53	10,416,000	0.53	5,208,000	0.27
Public Shareholders	972,109,496	99.47	1,944,218,992	99.47	972,109,496	49.73
– Underwriter *(Note 2)*	0	0.00	0	0.00	977,317,496	50.00
Total	977,317,496	100.00	1,954,634,992	100.00	1,954,634,992	100.00

Notes:

1. Being executive Directors.

2. Pursuant to the Underwriting Agreement, the Underwriter has undertaken with the Company that (a) it shall use all reasonable endeavours to procure that each of the subscribers or purchasers of Underwritten Shares procured by it under the relevant terms of the Underwriting Agreement, shall be a third party independent of, not acting in concert with and not connected with the Directors, chief executive or substantial shareholders of the Company or their respective associates; and (b) the Underwriter will enter into sub-underwriting agreements such that none of the Underwriter and the sub-underwriters (together with parties acting in concert with each of them) will hold 30% or more of the issued share capital of the Company immediately after the Rights Issue; and (c) the Underwriter shall and shall cause the sub-underwriters to procure independent placees to take up such number of Rights Shares as necessary to ensure that the public float requirements under Rule 8.08 of the Listing Rules are complied with immediately after the Rights Issue.

Reasons for the Rights Issue and use of proceeds

The principal activity of the Company is investment holding. The Group is principally engaged in the insurance business, provision of finance, trading of securities, property holding and investment.

The Directors consider appropriate for the Company to capture the fund raising opportunity through the Rights Issue on a fully underwritten basis and on a basis which will allow all Qualifying Shareholders to participate in the Rights Issue in proportion to their shareholdings. The estimated net proceeds of the Rights Issue will be between approximately HK$103.8 million (assuming no Options are exercised on or before the Record Date) to approximately HK$104.9 million (assuming all of the Options are exercised on or before the Record Date). The Company intends to utilize approximately $90 million for the subscription for the convertible note pursuant to the subscription agreement ("CN Subscription Agreement") in relation to a convertible note to be issued by Hennabun entered into between a wholly-owned subsidiary of the Company, Hennabun and Mr. Chuang Eugene Yue-chien (details of which are set out in the announcements of the Company dated 10 December 2008 and 19 February 2009 and circular of the Company dated 30 January 2009 respectively), and the remaining proceeds as general working capital. The subscription price of the convertible note to be issued by Hennabun is HK$250 million, approximately HK$90 million of which was originally intended to be financed by Rights Issue and the remaining HK$160 million by internal resources of the Group. The Directors confirm that the Company had sufficient working capital for its present requirements as at the Latest Practicable Date. As completion of the CN Subscription Agreement which took place on 19 February 2009 was temporarily funded by internal resources, the HK$90 million of the proceeds of the Rights Issue which was intended to be utilized as subscription money for the CN Subscription Agreement will now be used to replenish the internal resources of the Group used for the completion of the CN Subscription Agreement.

The estimated expense in relation to the Rights Issue, including financial, legal and other professional advisory fees, accountancy charges, underwriting commission, printing and translation expenses, of approximately HK$3.7 million, will be borne by the Company. Having considered other fund raising alternatives for the Group, including bank borrowings and placing of new Shares, and taking into account the benefits and cost of each of the alternatives, the Rights Issue allows the Group to strengthen its balance sheet without facing the increasing interest rates.

The Directors consider that it is in the interest of the Company and the Shareholders to raise further capital through the Rights Issue, and that the Rights Issue will allow all Qualifying Shareholders the opportunity to maintain their respective pro-rata shareholding interests in the Company.

Qualifying Shareholders who do not take up the Rights Shares to which they are entitled should note that their shareholdings in the Company will be diluted.

Fund raising exercise of the Company

With reference to the announcements of the Company dated 4 December 2007 and 8 July 2008 respectively, the Company proposed to raise funds by way of rights issue of Shares at HK$0.12 per rights Share and a total of approximately HK$475.6 million of net proceeds has been raised upon the close of acceptance of rights Shares. The Company intended to use the proceeds as the funding for expansion of the Group's current businesses including the insurance business and related financial services business. As at the Latest Practicable Date, the proceeds have been placed into the general working capital pool of the Company. The Directors believe that due to the drastic change of the global financial market and the associated tightening of regulatory requirements, approval for its application for Class A and C of long term business licenses would not be forthcoming and hence longer time will be required, and will therefore consider applying such amount on the financial business of the Company which includes but not limited to the securities held for trading and short term loans lent and subscription of the convertible note to be issued by Hennabun Capital Group Limited.

Save as abovementioned, the Company had not conducted any fund raising exercise in the preceding 12 months from the announcement of the Company dated 12 January 2009.

Adjustments in relation to the Options

The Rights Issue may lead to adjustments to the exercise price and/or the number of Shares to be issued upon exercise of the Options. The Company will notify the holders of the Options regarding adjustments to be made (if any) pursuant to the terms of the Share Option Scheme.

BUSINESS REVIEW AND PROSPECTS OF THE GROUP

On 25 November 2008, the Group entered into an acquisition agreement to acquire approximately 79.46% of the entire issued share capital of Hennabun at a consideration of HK$105.8 million which is to be satisfied by the issuance of convertible note by the Company in the principal amount of HK$105.8 million to the vendor. Hennabun and its subsidiaries are engaged in provision of financial services including security brokerage, commodity trading, money lending, margin financing and corporate finance advisory as well as proprietary trading and direct investment. The acquisition was approved by the Shareholders at the extraordinary general meeting of the Company held on 16 February 2009.

As stated in the circular of the Company dated 30 January 2009, the acquisition of Hennabun, which will become a subsidiary of the Company, will add value to the synergetic well being of the Group. Hennabun, through its subsidiaries, is engaged in investment holding, provision of financial services including securities brokerage, commodity trading, money lending, margin financing and corporate finance advisory as well as proprietary trading and direct investment. The investment in Hennabun can enable the Company to integrate and strengthen its resources and enlarge its client base, with a view to the enlarged Group becoming a leading and sophisticated investment service advisor and finance provider in the market.

The future prospects of the Group are to continue to focus on two targets, which are to enhance the performance of the existing business of the Group and to explore investment opportunities including but not limited to investment and fund management to add value for Shareholders.

FINANCIAL EFFECTS OF THE RIGHTS ISSUE

The estimated net proceeds of the Rights Issue will be between approximately HK$103.8 million (assuming no Options are exercised on or before the Record Date) to approximately HK$104.9 million (assuming all of the Options are exercised on or before the Record Date).

Net tangible asset value

A statement of unaudited pro forma consolidated net tangible asset value ("**NTAV**") of the Group based on the unaudited consolidated NTAV of the Group as at 9 February 2009 as if the Rights Issue had been completed on 30 September 2008 is set out in appendix III to this circular (the "**Statement**").

The unaudited consolidated NTAV of the Group and the unaudited consolidated NTAV of the Group per Share were HK$1,055,579,000 and HK$1.08 respectively as at 30 September 2008 according to the Statement and based on 977,317,496 Shares in issue as at the Latest Practicable Date. Upon completion of the Rights Issue assuming all Options are exercised on or before the Record Date and based on the maximum number of Rights Shares to be issued, the unaudited pro forma NTAV of the Group and the unaudited pro forma NTAV of the Group per Share would increase by approximately 9.94% to HK$1,160,479,000 and decrease by approximately 45.56% to approximately HK$0.588 per Share respectively with reference to the Statement.

LISTING RULES IMPLICATIONS

In accordance with Rule 7.19(6) of the Listing Rules, the Rights Issue was approved by Shareholders at the EGM by way of poll. At the EGM, Dr. Yang Fan Shing, Andrew, Ms. Kwok Wai Ming and their respective associates abstained from voting.

ADDITIONAL INFORMATION

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

By order of the Board
Freeman Corporation Limited
Mr. Lo Kan Sun
Managing Director

1. FINANCIAL SUMMARY

Set out below is a summary of the audited financial information of the Group for the three year ended 31 March 2008 extracted from the relevant annual reports of the Company.

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

Results of the Group

	For the year ended 31 March		
	2008	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
		(Restated)	*(Note)*
Revenue	85,340	21,467	74,405
Cost of sales	(7,802)	(2,721)	(57,715)
Gross Profit	77,538	18,746	16,690
Other income and gains	27,294	965	–
Gains/(losses) arising from changes in fair value of investment properties, net	16,130	1,157	(2,700)
Gain on disposal of subsidiaries, net	–	–	–
Fair value (losses)/gains on investments at fair value through profit or loss, net	(456,450)	373	7,514
Fair value loss on derivative instrument	–	(21,308)	–
General and administrative expenses	(40,829)	(29,350)	(13,570)
Impairment of available-for-sale equity investments	–	–	(34,130)
Other expenses	(13,981)	(136,384)	(26,247)
Finance costs	(6,059)	(7,467)	(1,274)
Share of (losses)/profit of an associate, net of impairment in an associate	–	(41,692)	400
Loss Before Tax	(396,357)	(214,960)	(53,317)
Tax	(7,351)	1,927	(2,383)

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

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

Financial Position of the Group

	For the year ended 31 March		
	2008	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Assets and liabilities			
Non-current assets	202,690	134,750	185,118
Current assets	883,634	526,350	337,455
Total assets	1,086,324	661,100	522,573
Current liabilities	15,880	30,261	20,930
Non-current liabilities	127,135	41,601	–
Total liabilities	143,015	71,862	20,930
Equity attributable to equity Holders of the Company	943,309	589,238	501,643

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

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

CONSOLIDATED INCOME STATEMENT

Year ended 31 March 2008

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

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

CONSOLIDATED BALANCE SHEET

31 March 2008

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2008

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

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

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

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

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

CONSOLIDATED CASH FLOW STATEMENT
Year ended 31 March 2008

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

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

	Notes	**2008** *HK$'000*	**2007** *HK$'000*
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from placement of new shares and rights issue	*28*	515,051	171,100
Proceeds from issue of convertible notes	*26*	243,406	96,949
Proceeds from exercise of share options	*28(g), (m)*	35,046	41,785
Share issue expenses	*28*	(12,503)	(3,854)
Drawdown of bank and other borrowings		62,287	220,569
Repayment of bank and other borrowings		(8,904)	(195,370)
Redemption of convertible notes	*26*	(5,000)	(45,000)
Net cash inflow from financing activities		829,383	286,179
NET INCREASE IN CASH AND CASH EQUIVALENTS		206,023	42,962
Cash and cash equivalents at beginning of year		72,626	29,664
CASH AND CASH EQUIVALENTS AT END OF YEAR		278,649	72,626
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		278,649	72,626

BALANCE SHEET

31 March 2008

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

NOTES TO FINANCIAL STATEMENTS
31 March 2008

1. Corporate information

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

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

2.1 Basis of preparation

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

Basis of consolidation

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

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

2.2 Impact of new and revised Hong Kong Financial Reporting Standards

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

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

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

(a) HKFRS 7 Financial Instruments: Disclosures

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.4 Summary of significant accounting policies

Subsidiaries

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

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

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

Associate

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

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

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

Goodwill

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

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

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

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

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

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

Impairment of non-financial assets other than goodwill

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

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

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

Property, plant and equipment and depreciation

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

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

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

Buildings	Over the lease terms
Leasehold improvements	Over the shorter of the lease terms and 15%
Furniture, fixtures and equipment	15%
Computer equipment	$33^1/_3$%
Motor vehicles	30%

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

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

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

Investment properties

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

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

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

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

Investments and other financial assets

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

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

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

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

Financial assets at fair value through profit or loss

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

Loans and receivables

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

Available-for-sale financial assets

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

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

Fair value

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

Impairment of financial assets

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

Assets carried at amortised cost

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

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

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

Assets carried at cost

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

Available-for-sale financial assets

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

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

Derecognition of financial assets

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

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

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

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

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

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

Financial guarantee contracts

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

Convertible notes

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

Derecognition of financial liabilities

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

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

Derivative financial instruments

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

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

Cash and cash equivalents

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

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

Foreign currencies

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

Income tax

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

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

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

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

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

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

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

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

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

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

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

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

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

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

Revenue recognition

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

(a) rental income, on a time proportion basis over the lease terms;

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

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

(d) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset; and

(e) insurance agency and brokerage income, on the inception of the associated insurance policy.

Related parties

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

(a) the party, directly or indirectly through one or more intermediaries, (1) controls, is controlled by, or is under common control with, the Group; (2) has an interest in the Group that gives it significant influence over the Group; or (3) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

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

Share-based payment transactions

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

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

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

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

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

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

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

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

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

Other employee benefits

Retirement benefit scheme

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

3. Significant accounting judgements and estimates

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

Judgements

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

Operating lease commitments – Group as lessor

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

Classification between investment properties and owner-occupied properties

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

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

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

Estimation uncertainty

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

Impairment of goodwill

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

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

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

Impairment of loans receivable

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

Measurement of convertible notes

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

Measurement of fair value of equity-settled transactions

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

4. Segment information

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

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

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

(i) the trading of securities segment engages in the purchase and sale of securities and the holding of investments primarily for interest income, dividend income and capital appreciation;

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

(iii) the trading of goods segment engaged in the purchase and sale of commodities;

(iv) the property holding and investment segment engages primarily in the investments in commercial and residential properties for their rental income potential and/or their appreciation in values;

(v) the insurance agency and brokerage business segment engages in general and life insurance brokerage business in Hong Kong; and

(vi) the investment holding segment engages in holding investments for continuing strategic or long term purposes, primarily for their dividend income and capital appreciation.

Business segments

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

Group

	Continuing operations														Discontinued operation			
	Trading of securities		Provision of finance		Property holding and investment		Insurance agency and brokerage business		Investment holding		Eliminations		Total		Trading of goods		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	HK$'000	*HK$'000* (Restated)	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (Restated)	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (Restated)
Segment revenue:																		
Revenue from external customers	59,070	(11,805)	17,464	26,449	2,590	1,228	6,216	2,092	–	3,503	–	–	85,340	21,467	–	–	85,340	21,467
Intersegment sales	–	–	–	–	–	–	–	–	10,634	11,570	(10,634)	(11,570)	–	–	–	–	–	–
Other revenue	645	398	110	191	16,155	1,550	14,673	47	–	–	–	–	31,583	2,186	–	–	31,583	2,186
Total	59,715	(11,407)	17,574	26,640	18,745	2,778	20,889	2,139	10,634	15,073	(10,634)	(11,570)	116,923	23,653	–	–	116,923	23,653
Segment results	(396,922)	(27,519)	17,361	(41,071)	7,683	1,794	(5,948)	(4,055)	(9,289)	(23,953)	(10,634)	(11,570)	(397,749)	(106,374)	–	771	(397,749)	(105,603)
Interest and unallocated gains													11,642	26,658	–	–	11,642	26,658
Unallocated expenses													(4,191)	(86,085)	–	–	(4,191)	(86,085)
Finance costs													(6,059)	(7,467)	–	–	(6,059)	(7,467)
Share of profit of an associate, net of impairment of an investment in an associate	–	–	–	–	–	–	–	–	–	(41,692)	–	–	–	(41,692)	–	–	–	(41,692)
Profit/(loss) before tax													(396,357)	(214,960)	–	771	(396,357)	(214,189)
Tax													(7,351)	1,927	–	–	(7,351)	1,927
Profit/(loss) for the year													(403,708)	(213,033)	–	771	(403,708)	(212,262)
Assets and liabilities																		
Segment assets	347,126	154,725	254,228	304,681	204,423	72,711	2,559	3,861	1,500,526	685,426	(1,234,126)	(623,601)	1,074,736	597,803	–	–	1,074,736	597,803
Investment in an associate	–	–	–	–	–	–	–	–	–	50,000	–	–	–	50,000	–	–	–	50,000
Unallocated assets													11,588	13,297	–	–	11,588	13,297
Total assets													1,086,324	661,100	–	–	1,086,324	661,100

	Continuing operations														Discontinued operation			
	Trading of securities		Provision of finance		Property holding and investment		Insurance agency and brokerage business		Investment holding		Eliminations		Total		Trading of goods		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment liabilities	786,279	196,765	313,503	373,339	104,342	75,650	38,198	45,991	2,566	3,011	(1,234,126)	(623,601)	10,762	71,155	–	–	10,762	71,155
Unallocated liabilities													132,253	707	–	–	132,253	707
Total liabilities													143,015	71,862	–	–	143,015	71,862
Other segment information:																		
Depreciation – allocated	–	–	–	–	499	7	150	121	–	–	–	–	649	128	–	–	649	128
Depreciation – unallocated	–	–	–	–	–	–	–	–	–	–	–	–	1,223	467	–	–	1,223	467
Recognition of prepaid land premium	–	–	–	–	247	5	–	–	–	–	–	–	247	5	–	–	247	5
Gains arising from changes in fair value of investment properties, net	–	–	–	–	16,130	1,157	–	–	–	–	–	–	16,130	1,157	–	–	16,130	1,157
Impairment of loans receivable	–	–	–	67,479	–	–	–	–	–	–	–	–	–	67,479	–	–	–	67,479
Impairment of trade and other receivables and deposits	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	59,065	–	59,065
Fair value losses/(gains) on investments at fair value through profit or loss, net	456,450	(373)	–	–	–	–	–	–	–	–	–	–	456,450	(373)	–	–	456,450	(373)
Loss on redemption of convertible notes	–	–	–	–	–	–	–	–	287	1,359	–	–	287	1,359	–	–	287	1,359
Capital expenditure	–	–	–	–	100,674	68,801	181	–	11,882	–	–	–	112,737	68,801	–	–	112,737	68,801

5. Revenue, other income and gains

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

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

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

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

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

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

6. Loss before tax

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

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

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

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

7. Finance costs

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

8. Directors' remuneration

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

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

(a) Independent non-executive directors

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

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

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

(b) Executive directors

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

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

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

9. Five highest paid employees

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

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

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

	Number of employees	
	2008	**2007**
Nil – HK$1,000,000	–	4
HK$1,000,001 – HK$1,500,000	3	–
HK$2,500,001 – HK$3,000,000	1	–
	4	4

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

10. Tax

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

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

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

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

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

11. Loss attributable to equity holders of the Company

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

12. Discontinued operation

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

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

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

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

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

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

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

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

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

(a) Basic loss per share

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

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

(b) Diluted loss per share

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

14. Property, plant and equipment

Group

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

Group

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

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

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

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

15. Investment properties

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

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

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

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

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

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

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

16. Prepaid land premium

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

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

17. Goodwill

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

Impairment testing of goodwill

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

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

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

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

Budgeted revenue and results of operation

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

Discount rate

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

18. Interests in subsidiaries

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

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

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

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

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

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

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

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

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

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

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

19. Investment in an associate

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

The associate was disposed of during the year.

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

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

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

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

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

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

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

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

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

	2007
	HK$'000
Assets	607,875
Liabilities	442,643
Revenue	11,434
Profit	4,195

20. Available-for-sale investment

	Group	
	2008	**2007**
	HK$'000	*HK$'000*
Unlisted investment, at market value	18,793	–

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

21. Loans receivable

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

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

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

	Group	
	2008	**2007**
	HK$'000	*HK$'000*
Neither past due nor impaired	254,152	171,944
Within 3 months past due	–	73,286
	254,152	245,230

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

	Group	
	2008	**2007**
	HK$'000	*HK$'000*
At beginning of year	67,479	26,247
Impairment losses recognised *(note 6)*	–	67,479
Amounts written off as uncollectible	(67,479)	(26,247)
At 31 March	–	67,479

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

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

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

22. Prepayments, deposits and other receivables

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

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

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

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

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

23. Investments at fair value through profit or loss

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

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

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

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

24. Cash and cash equivalents

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

25. Interest-bearing bank and other borrowings

Group

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

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

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

Notes:

(a) All interest-bearing bank and other borrowings are in Hong Kong dollars.

(b) In the prior year, the Group's overdraft facilities amounting to HK$3,000,000 were secured by the pledge of certain of the Group's investment properties amounting to HK$11,500,000. The Group did not utilise any of the overdraft facilities as at 31 March 2007 and the overdraft facilities were expired during the year.

(c) The Group's bank loans are secured by:

(i) mortgage over the Group's prepaid land lease premium and buildings situated in Hong Kong, which had an aggregate carrying value at the balance sheet date of approximately HK$51,502,000 (2007: HK$4,155,000) *(note 16)* and HK$19,956,000 (2007: HK$1,038,000) *(note 14)*, respectively;

(ii) mortgages over the Group's investment properties situated in Hong Kong, which had an aggregate carrying value at the balance sheet date of approximately HK$100,779,000 (2007: HK$62,540,000); and

(iii) a corporate guarantee given by the Company up to HK$101,248,000 (2007: HK$50,178,000) as at the balance sheet date.

26. Convertible notes

2007

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

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

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

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

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

2008

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

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

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

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

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

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

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

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

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

27. Deferred tax liabilities

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

Group

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

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

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

28. Share capital

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

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

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

Notes:

(a) On 24 April 2006 and 22 May 2006, the Company allotted and issued 300,000,000 and 300,000,000 ordinary shares of HK$0.20 each for cash to independent third parties at a price of HK$0.20 per share, respectively.

(b) On 8 June 2006, a sale and purchase agreement was entered into with an independent third party to acquire an additional 53,800,000 ordinary shares of HCGL for a consideration of HK$11,000,000, which was settled by the issuance of 55,000,000 new ordinary shares of the Company of HK$0.20 each at HK$0.20 per share.

(c) The Company effected a capital reorganisation on 22 August 2006 which involved: (i) a reduction of the nominal value of each issued ordinary share of the Company from HK$0.20 to HK$0.10 each by the cancellation of HK$0.10 of the paid-up capital for each issued ordinary share; (ii) the cancellation of the credit arising from such reduction towards the accumulated losses of the Company in the amount of HK$133,205,620; and (iii) the cancellation of the then existing authorised and unissued ordinary shares of 8,667,943,798 and a subsequent increase of the authorised share capital of the Company by the creation of the same number of ordinary shares of HK$0.10 each.

(d) On 18 October 2006, a sale and purchase agreement was entered into with an independent third party to acquire 100% equity interest in Freeman Investment Services Limited (formerly Cinergy Holdings Limited) and its subsidiaries (the "FIS Group") for a consideration of HK$53,000,000, which was settled by the issuance of 200,000,000 new ordinary shares of the Company of HK$0.10 each at HK$0.265 per share.

(e) On 9 November 2006 and 8 March 2007, the Company allotted and issued 66,000,000 and 346,000,000 ordinary shares of HK$0.10 each for cash to independent third parties at a price of HK$0.25 and HK$0.10 per share, respectively.

(f) During the year ended 31 March 2007, 226,337,447 new ordinary shares of HK$0.10 each of the Company were issued upon the conversion of the 2006 CNs with principal amount totalling HK$55,000,000 issued by the Company as further detailed in note 26 to the financial statements.

(g) During the year ended 31 March 2007, the subscription rights attaching to 303,580,000 share options granted to certain employees and consultants were exercised at subscription prices ranging from HK$0.124 to HK$0.155 per share *(note 29)*, resulting in the issue of 303,580,000 new ordinary shares of the Company of HK$0.10 each for a total cash consideration, before expenses, of approximately HK$41,785,000.

(h) On 19 April 2007, 31 May 2007 and 10 July 2007, the Company allotted and issued 654,000,000, 494,000,000 and 1,086,552,000 ordinary shares of HK$0.10 each for cash to independent third parties at a price of HK$0.10, HK$0.13 and HK$0.182 per share, respectively.

(i) A rights issue of one rights share for every two existing shares held by members on the register of members on 20 April 2007 was made at an issue price of HK$0.12 per rights share, resulting in the issue of 1,563,986,824 ordinary shares of HK$0.10 each for a total cash consideration, before expenses, of HK$187,679,000.

(j) Pursuant to an ordinary resolution passed on 6 July 2007, the authorised share capital of the Company was increased from HK$1,000,000,000 divided into 10,000,000,000 shares of HK$0.10 each to HK$5,000,000,000 divided into 50,000,000,000 ordinary shares of HK$0.10 each by the creation of additional 40,000,000,000 ordinary shares, ranking pari passu in all respects with the existing share capital of the Company.

(k) On 27 February 2008, the Company repurchased three ordinary shares of HK$0.10 each on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at HK$0.04 per share. The repurchased shares were cancelled and accordingly, the issued share capital of the Company was reduced by the nominal value of these shares. The difference between the issued capital purchased and the value of cash consideration paid was credited to the capital redemption reserve of the Company.

(l) During the year ended 31 March 2008, 1,625,000,000 new ordinary shares of HK$0.10 each of the Company were issued upon the conversion of the 2007 CNs with principal amount totalling HK$195,000,000 issued by the Company as further detailed in note 26 to the financial statements.

(m) During the year ended 31 March 2008, the subscription rights attaching to 246,800,000 share options granted to certain employees and advisors were exercised at a subscription price of HK$0.142 per share *(note 29)*, resulting in the issue of 246,800,000 new ordinary shares of the Company of HK$0.10 each for a total cash consideration, before expenses, of approximately HK$35,046,000.

29. Share option scheme

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

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

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

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

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

The 2002 Scheme will expire on 22 August 2012.

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

2007

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

2008

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

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

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

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

The share options were surrendered and cancelled in April 2007.

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

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

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

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

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

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

30. Reserves

(a) Group

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

(b) Company

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

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

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

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

31. Notes to the consolidated cash flow statement

(a) Acquisition of subsidiaries

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

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

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

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

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

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

(b) Disposal of subsidiaries

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

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

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

(c) Major non-cash transactions

(i) As detailed in note 28(b) to the financial statements, the Group's acquisition for additional ordinary shares of HCGL at a consideration of HK$11,000,000 was satisfied by the issuance of 55,000,000 new ordinary shares of the Company of HK$0.20 each in last year.

(ii) As detailed in note 28(d) to the financial statements, the Group's acquisition for 100% equity interest in the FIS Group at a consideration of HK$53,000,000 was satisfied by the issuance of 200,000,000 new ordinary shares of the Company of HK$0.10 each in last year.

(iii) On 6 February 2007, the Group exercised its conversion rights attached to the HK$131,000,000 HCGL convertible notes and converted them into 873,333,333 new ordinary shares of HCGL of US$0.01 each at a conversion price of HK$0.15 per share. Upon the conversion of the HCGL convertible notes, the Group's shareholding in HCGL increased to 48.96%, which was treated as an associate of the Group as at 31 March 2007.

(iv) As detailed in notes 26 and 28(f) to the financial statements, the 2006 CNs in the principal amount of HK$55,000,000 were converted into 226,337,447 new ordinary shares of the Company.

(v) As detailed in notes 26 and 28(l) to the financial statements, the 2007 CNs in the principal amount of HK$195,000,000 were converted into 1,625,000,000 new ordinary shares of the Company.

32. Pledge of assets

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

33. Operating lease arrangements

(a) As lessor

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

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

	Group	
	2008	**2007**
	HK$'000	*HK$'000*
Within one year	1,950	1,427
In the second to fifth years, inclusive	448	466
	2,398	1,893

(b) As lessee

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

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

	Group	
	2008	**2007**
	HK$'000	*HK$'000*
Within one year	731	442
In the second to fifth years, inclusive	93	18
	824	460

34. Commitments

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

	Group	
	2008	**2007**
	HK$'000	*HK$'000*
Contracted but not provided for investment properties	–	6,618

35. Contingent liabilities

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

	Group		Company	
	2008	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Guarantees given to banks in connection with facilities granted to subsidiaries	–	–	101,248	53,171

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

36. Related party transactions

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

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

Notes:

(i) The loan interest income arose from a loan granted to an associate in the prior year. The loan was unsecured, bore interest at 1% over the Prime Rate per annum and was fully settled during the year.

(ii) The commission expenses were charged to the Group for brokerage services provided by the associate based on 0.22% of the transaction value and was settled in the Group's margin account with the associate.

(b) Outstanding balance with a related party:

	Group	
	2008	**2007**
	HK$'000	*HK$'000*
Due from an associate	–	75,822

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

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

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

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

37. Litigation

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

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

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

38. Financial instruments by category

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

2008 **Group**

Financial assets

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

Financial liabilities

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

2007 **Group**

Financial assets

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

Financial liabilities

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

Financial assets

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

Financial liabilities

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

39. Financial risk management objectives and policies

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

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

Interest rate risk

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

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

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

Credit risk

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

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

Liquidity risk

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

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

Group

2008

	Within 1 year or on demand *HK$'000*	**1 to 2 years** *HK$'000*	**3 to 5 years** *HK$'000*	**Over 5 years** *HK$'000*	**Total** *HK$'000*
Convertible notes	–	–	50,000	–	50,000
Interest-bearing bank and other borrowings	6,443	7,692	39,346	66,725	120,206
Other payables	2,980	–	–	–	2,980
	9,423	7,692	89,346	66,725	173,186

2007

	Within 1 year or on demand *HK$'000*	**1 to 2 years** *HK$'000*	**3 to 5 years** *HK$'000*	**Over 5 years** *HK$'000*	**Total** *HK$'000*
Interest-bearing bank and other borrowings	28,538	2,708	14,902	37,113	83,261
Other payables	4,492	–	–	–	4,492
	33,030	2,708	14,902	37,113	87,753

Company

2008

	Within 1 year or on demand *HK$'000*	1 to 2 years *HK$'000*	3 to 5 years *HK$'000*	Over 5 years *HK$'000*	Total *HK$'000*
Due to subsidiaries	2,438	–	–	–	2,438
Other payables	694	–	–	–	694
Convertible notes	–	–	50,000	–	50,000
	3,132	–	50,000	–	53,132

2007

	Within 1 year or on demand *HK$'000*	1 to 2 years *HK$'000*	3 to 5 years *HK$'000*	Over 5 years *HK$'000*	Total *HK$'000*
Due to subsidiaries	2,075	–	–	–	2,075
Other payables	1,367	–	–	–	1,367
	3,442	–	–	–	3,442

Equity price risk

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

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

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

Capital management

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

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

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

Group

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

40. Post balance sheet events

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

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

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

41. Fair values of financial assets and liabilities

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

42. Comparative amounts

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

43. Approval of the financial statements

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

3. INDEPENDENT AUDITORS' REPORT

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

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

Deloitte.
德勤

TO THE SHAREHOLDERS OF FREEMAN CORPORATION LIMITED
(FORMERLY KNOWN AS HANSOM EASTERN (HOLDINGS) LIMITED AND INNER MONGOLIA DEVELOPMENT (HOLDINGS) LIMITED
(incorporated in the Cayman Islands with limited liability)

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

Respective responsibilities of directors and auditors

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

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

Basis of opinion

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

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

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

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

Qualified opinion arising from limitation of audit scope

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

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

Deloitte Touche Tohmastsu
Certified Public Accountants
Hong Kong
27th July 2006

(B) Independent Auditors' Report for the Year Ended 31 March 2007

ERNST & YOUNG
安 永

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

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

Directors' responsibility for the financial statements

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

Auditors' responsibility

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

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

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

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

Basis for qualified opinion

Scope limitation – Prior year audit scope limitation affecting opening balances

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

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

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

Qualified opinion arising from limitation of audit scope

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

Ernst & Young
Certified Public Accountants
18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong

27 July 2007

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

ERNST & YOUNG
安 永

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

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

Directors' responsibility for the financial statements

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

Auditors' responsibility

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

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

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

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

Opinion

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

Ernst & Young
Certified Public Accountants
18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong

25 July 2008

4. INDEBTEDNESS

At the close of business on 31 December 2008, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this prospectus, the total indebtedness of the Group amounted to approximately HK$93,460,000 comprising mortgage loan only, which has secured by certain land and buildings and investment properties of the Group.

The Group has pledged certain its investments held for trading to secure margin-financing facilities obtained from regulated securities dealer.

Save as aforesaid and apart from intra-group liabilities, the Group did not have any outstanding mortgages, charges, debentures, loan capital, debt securities, loans, bank overdraft or other similar indebtedness, financial lease or hire purchase commitments, liabilities under acceptances or acceptance credits or guarantees or other material contingent liabilities as at 31 December 2008.

5. WORKING CAPITAL

The Directors are of the opinion that, taking into account the cash flows generated from the operating activities, the financial resources available to the Group including internally generated funds, the available credit facilities and the estimated net proceeds from the Rights Issue, the Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of the circular of the Company dated 9 February 2009.

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, save as referred to in the profit warning announcement by the Company dated 8 December 2008 and in the interim results of the Group for the six months ended 30 September 2008, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2008, being the date to which the latest published audited consolidated financial statements of the Company were made up.

Set out below is the financial information relating to Hennabun Capital Group Limited ("Hennabun") as extracted from the circular of the Company dated 30 January 2009 ("Circular"). Defined terms used in this Appendix II shall have the same meanings as ascribed thereto in the Circular.

A. ACCOUNTANT'S REPORT OF HENNABUN GROUP

MAZARS

MAZARS CPA LIMITED
馬賽會計師事務所有限公司
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30 January 2009

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

Dear Sirs,

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

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

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

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

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

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

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

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

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

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

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

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

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

Procedures performed in respect of the Relevant Periods

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

Procedures performed in respect of the Comparative Financial Information

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

Opinion in respect of the financial information of the Relevant Periods

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

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

Review conclusion in respect of the Comparative Financial Information

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

CONSOLIDATED INCOME STATEMENTS

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

		Nine months ended 30 September		Year ended 31 December		
		2008	**2007**	**2007**	**2006**	**2005**
			(Unaudited)			
	Note	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Turnover	*2*	62,167,125	107,809,964	143,603,740	42,838,400	33,606,239
Other income	*3*	75,515,316	68,927	114,652	563,250	28,258,334
Gain (Loss) on disposal of interests in subsidiaries		5,793,046	1,764,845	1,765,326	–	(195,481,588)
Allowance for doubtful debts		(48,500,012)	(37,085,521)	(40,032,081)	(73,710,828)	(49,434,997)
Bad debts written off		(283,865)	(850,788)	(917,569)	(6,951,546)	–
Loss on investment	*34*	–	(55,000,000)	(55,000,000)	–	–
Employee benefits expense		(7,746,819)	(6,099,837)	(8,537,735)	(6,572,606)	(6,450,348)
Depreciation and amortisation expenses		(6,785,666)	(4,309,267)	(5,872,486)	(5,405,484)	(1,984,627)
Other operating expenses		(27,570,031)	(22,287,849)	(36,478,064)	(24,391,117)	(11,929,969)
Realised (loss) gain on disposal of financial assets at fair value through profit or loss		(135,893,385)	(20,437,025)	(32,806,897)	638,396	(6,780,495)
Unrealised holding loss on financial assets at fair value through profit or loss		(14,198,638)	(1,149,615)	(40,492,321)	–	–
Finance costs attributable to provision of financial services	*5*	(7,175,201)	(12,825,993)	(17,762,369)	(18,106,238)	(6,433,588)
Other finance costs	*5*	–	–	–	(8,183,013)	(5,935,993)
Loss before taxation	*4*	(104,678,130)	(50,402,159)	(92,415,804)	(99,280,786)	(222,567,032)
Taxation	*6*	3,169,997	–	–	(343,609)	–
Loss for the period/year		(101,508,133)	(50,402,159)	(92,415,804)	(99,624,395)	(222,567,032)
Losses per share – basic	*7*	(0.02)	(0.03)	(0.05)	(0.12)	(0.37)

CONSOLIDATED BALANCE SHEETS

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

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

CONSOLIDATED BALANCE SHEETS

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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

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

CONSOLIDATED CASH FLOW STATEMENTS

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

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

CONSOLIDATED CASH FLOW STATEMENTS

		Nine months ended 30 September		Year ended 31 December		
		2008	**2007**	**2007**	**2006**	**2005**
			(Unaudited)			
	Note	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
INVESTING ACTIVITIES						
Acquisition of subsidiaries	*31*	–	–	–	–	(49,871,322)
Proceeds from disposal of subsidiaries	*32*	94,000,000	87,987,034	87,987,514	–	156,280,000
Proceeds from disposal of property, plant and equipment		5,000	300,000	300,000	–	–
Net purchase of financial assets at fair value through profit or loss		(111,180,819)	(21,830,236)	(156,854,479)	(168,204)	(6,570,717)
Purchase of property, plant and equipment and other investments		(87,992,352)	(29,607,227)	(100,254,315)	(9,397,879)	(3,085,305)
Deposits for acquisition of property, plant and equipment and investment project		(36,784,000)	–	(39,030,000)	–	–
Cash refund from (Cash contribution to) Central Clearing and Settlement System Guarantee Fund		130,000	(553,276)	(40,000)	–	–
Contribution in cash to clearing house and exchange		–	–	–	(50,000)	(170,000)
Refund of deposit from clearing house and exchange		–	–	–	80,000	6,408
Net cash (used in) from investing activities		(141,822,171)	36,296,295	(207,891,280)	(9,536,083)	96,589,064
FINANCING ACTIVITIES						
Issue of shares		343,000,000	17,000,000	17,000,000	50,000,000	7,000,000
New loans raised		227,800,000	269,000,000	548,550,000	1,626,132,298	175,000,000
Repayment of loans		(314,800,000)	(417,323,393)	(519,050,000)	(1,548,808,905)	(65,000,000)
Repurchase of shares		–	–	–	–	(20,000,000)
Redemption of convertible notes		–	–	–	–	(25,300,000)
(Repayment to) Advance from a related company		(553,918,970)	237,727,677	682,556,808	–	–
Net cash (used in) from financing activities		(297,918,970)	106,404,284	729,056,808	127,323,393	71,700,000
Net (decrease) increase in cash and cash equivalents		(72,508,343)	194,792,054	148,664,273	(31,067,402)	19,239,038
Effect on exchange rate changes		(3,794)	–	–	–	–
Cash and cash equivalents at beginning of the period/year		170,761,154	22,096,881	22,096,881	53,164,283	33,925,245
Cash and cash equivalents at end of the period/year	*16*	98,249,017	216,888,935	170,761,154	22,096,881	53,164,283

B. NOTES TO THE FINANCIAL INFORMATION

Corporate information

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

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

1. Principal accounting policies

Basis of preparation

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

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

Application of new and revised Hong Kong financial reporting standards

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

Intangible asset

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

Related party disclosures

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

Financial Instruments

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

Classification and measurement of financial assets and financial liabilities

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

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

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

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

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

Capital and financial instruments disclosures

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

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

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

[1] *Effective for annual periods beginning on or after 1 January 2009*
[2] *Effective for annual periods beginning on or after 1 July 2009*
[3] *Effective for annual periods beginning on or after 1 January 2008*
[4] *Effective for annual periods beginning on or after 1 July 2008*
[5] *Effective for annual periods beginning on or after 1 October 2008*
[6] *Effective from 1 July 2008*

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

Basis of measurement

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

Basis of consolidation

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

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

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

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

Property, plant and equipment

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

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

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

Intangible assets

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

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

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

Other investments

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

Financial instruments

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

Financial assets at fair value through profit or loss

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

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

Loans and receivables

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

Impairment of financial assets

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

Financial liabilities

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

Convertible loan notes

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

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

Provisions

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

Revenue recognition

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

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

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

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

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

Impairment of non-financial assets

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

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

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

Taxation

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

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss, it is not accounted for.

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

Leases

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

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

Employee benefits

Defined contribution plans

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

Long service payment

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

Cash equivalents

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

Related parties

A party is related to the Target Group if

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

(b) the party is an associate of the Target Group;

(c) the party is a joint venture in which the Target Group is a venturer;

(d) the party is a member of the key management personnel of the Target Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

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

Critical accounting estimates and judgements

Allowance for bad and doubtful debts

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

2. Turnover and revenue

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

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

3. Other income

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

4. Loss before taxation

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

Five highest paid employees' emoluments

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

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

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

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

5. Finance costs

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

6. Taxation

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

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

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

7. Losses per share

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

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

8. Business and geographical segments

Geographical segments

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

Business segments

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

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

For the year ended 31 December 2005

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

At 31 December 2005

	Brokerage and financial services	Proprietary trading	Investments holding	Consolidated
ASSETS				
Segment assets	347,743,741	67,800	92,858,091	440,669,632
LIABILITIES				
Segment liabilities	219,344,583	–	26,627,058	245,971,641
Convertible notes				131,000,000
Unallocated corporate liabilities				1,036,498
				378,008,139

For the year ended 31 December 2006

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

At 31 December 2006

	Brokerage and financial services	Proprietary trading	Investments holding	Consolidated
ASSETS				
Segment assets	345,836,979	874,400	84,111,792	430,823,171
LIABILITIES				
Segment liabilities	183,546,303	–	102,374,194	285,920,497
Convertible notes				131,000,000
Unallocated corporate liabilities				865,576
				417,786,073

For the year ended 31 December 2007

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

At 31 December 2007

	Brokerage and financial services HK$	Proprietary trading HK$	Investments holding HK$	Consolidated HK$
ASSETS				
Segment assets	995,895,362	84,429,661	134,933,258	1,215,258,281
Unallocated corporate assets				2,517,851
				1,217,776,132
LIABILITIES				
Segment liabilities	1,119,840,132	–	27,291,986	1,147,132,118
Unallocated corporate liabilities				2,022,720
				1,149,154,838

For the nine months ended 30 September 2007

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

For the nine months ended 30 September 2008

	Brokerage and financial services HK$	Proprietary trading HK$	Investments holding HK$	Consolidated HK$
Turnover	62,162,624	4,501	–	62,167,125
Segment results	37,238,812	(145,980,255)	25,575	(108,715,868)
Reversal of allowance for bad and doubtful debts	75,200,000	–	–	75,200,000
Allowance for doubtful debts	(48,500,012)	–	–	(48,500,012)
Bad debts written off	(283,865)	–	–	(283,865)
Depreciation and amortisation expense	(4,366,667)	–	(2,418,999)	(6,785,666)
Finance costs attributable to provision of financial services				(7,175,201)
Unallocated corporate income				315,316
Unallocated corporate expenses				(8,732,834)
Loss before taxation				(104,678,130)
Taxation				3,169,997
Loss for the period				(101,508,133)

At 30 September 2008

	Brokerage and financial services HK$	Proprietary trading HK$	Investments holding HK$	Consolidated HK$
ASSETS				
Segment assets	385,943,779	45,518,457	128,155,492	559,617,728
Unallocated corporate assets				399,040
				560,016,768
LIABILITIES				
Segment liabilities	222,668,027	10,000	24,753,536	247,431,563
Unallocated corporate liabilities				2,472,044
				249,903,607

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

9. Property, plant and equipment

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

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

10. Intangible assets

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

11. Other non-current assets

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

12. Other investments

	At 30 September	At 31 December		
	2008	2007	2006	2005
	HK$	*HK$*	*HK$*	*HK$*
Other securities:				
Unlisted shares, at cost	2,500,000	2,500,000	2,500,000	2,500,000
Impairment loss	(2,499,999)	(2,499,999)	(2,499,999)	(2,499,999)
	1	1	1	1
Artworks *(note #)*	74,247,500	–	–	–
	74,247,501	1	1	1

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

13. Financial assets at fair value through profit or loss

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

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

14. Loans receivable

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

14(a) Allowance for bad and doubtful debts

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

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

15. Trade and other receivables

		At 30 September	At 31 December		
		2008	2007	2006	2005
	Note	*HK$*	*HK$*	*HK$*	*HK$*
Trade receivables					
Third parties		287,788,747	542,495,487	129,566,086	226,458,360
A director of the Target Company	*15(a)*	181,257	–	–	1,004,009
A related company	*15(b)*	–	364,142	224,363	1,700,887
Other related parties	*15(c)*	5,871,611	190,255	10,501,743	6,334,625
		293,841,615	543,049,884	140,292,192	235,497,881
Allowance for bad and doubtful debts	*15(d)*	(82,897,059)	(37,980,718)	(4,682,632)	(9,782,632)
Trade receivables, net		210,944,556	505,069,166	135,609,560	225,715,249
Other receivables	*15(e)*	4,352,023	3,744,655	2,465,211	2,360,015
		215,296,579	508,813,821	138,074,771	228,075,264

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

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

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

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

15(b) Trade receivable from a related company

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

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

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

15(c) Trade receivable from other related parties

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

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

Name	Maximum amount outstanding during the year *HK$*	Balance at 31.12.2006 *HK$*	Interest rate per annum
Directors of the Target Company's major shareholder			
– Chuang Yueheng, Henry	927,371	–	8%
– Wong Ying Seung, Asiong	18,428,145	8,126,968	5% – 10%
– King Phillip	2,364,891	2,364,891	8% – 10%
Director of the Target Company and a subsidiary			
– Chan Shek Wah	59,604	9,884	5% – 10%
	21,780,011	10,501,743	

Name	Maximum amount outstanding during the year *HK$*	Balance at 31.12.2007 *HK$*	Interest rate per annum
Directors of the Target Company's major shareholder (prior to 24 April 2007)			
– Chuang Yueheng, Henry	44,704,789	–	5%
– King, Phillip	17,364,891	–	8%
– Wong Ying Seung, Asiong	23,328,107	–	5%
Directors of the Target Company and a subsidiary			
– Chan Shek Wah	10,084	–	5%
– Tong So Yuet	237,213	190,255	5%
	85,645,084	190,255	

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

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

15(d) Allowance for bad and doubtful debts

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

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

15(e) Other receivables

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

16. Cash and cash equivalents

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

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

17. Due to a director

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

18. Due to a related company

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

19. Trade and other payables

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

20. Provisions

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

Note:

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

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

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

21. BANK OVERDRAFTS

	At 30 September	At 31 December		
	2008	**2007**	**2006**	**2005**
	HK$	*HK$*	*HK$*	*HK$*
Secured	26,213,214	7,243,217	24,521,734	21,424,791
Unsecured	2,158,101	942,963	270,474	–
	28,371,315	8,186,180	24,792,208	21,424,791

22. Interest-bearing borrowings

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

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

23. Deposit for investment project

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

24. Convertible notes

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

Note:

(i) Convertible note with principal sum of HK$25,300,000 was redeemed by the Target Company during 2005.

(ii) During 2005, the Target Company entered into an agreement dated 3 August 2005 with its ex-substantial shareholder, Willie International Holdings Limited ("Willie"), whereby:

(a) the Target Company acquired 100% of the equity shares in a wholly-owned subsidiary from Willie which principal assets were loans receivable of HK$41 million. The acquisition was satisfied by the issue of a convertible note by the Target Company in the principal amount of HK$41 million ("First New Note");

(b) the 6% convertible note issued by the Target Company on January 2004 together with the outstanding principal amount of HK$95 million and accrued interest of approximately HK$10 million were cancelled in exchange for new convertible note issued by the Target Company in the principal amount of HK$105 million ("Second New Note");

(c) the First New Note and Second New Note (hereinafter collectively referred to as "New Convertible Notes") bear interest at 8% per annum, payable monthly and will mature in ten years from the date of issue. They can be converted into shares of the Target Company at a conversion price of HK$0.25 per ordinary share at any time after the date of issue of the convertible note and before its maturity date; and

(d) the Target Company, or its subsidiaries or independent parties, provides an unsecured standby credit facility in the amount of HK$50 million to Willie at prime rate and any drawdown of the facility is repayable on demand. Willie had not utilised such standby credit facility during the year ended 31 December 2005. This facility was expired during the year ended 31 December 2006.

(iii) Of the New Convertible Notes with principal sum of HK$146,000,000, principal amount of HK$15,000,000 was converted into 60,000,000 ordinary shares of US$0.01 each of the Target Company at a conversion price of HK$0.25 per share.

(iv) The fair value of the liability component and the equity conversion component were determined at issuance of the New Convertible Notes. The fair value of the liability component, included in the carrying amount of convertible notes, was calculated using a market interest rate for an equivalent non-convertible note. The residual amount, representing the value of the equity conversion component was determined to be immaterial.

25. Deferred taxation

Unrecognised deferred tax assets arising from

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

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

26. Share capital

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

Note:

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

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

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

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

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

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

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

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

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

27. Reserves

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

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

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

28. Commitments under operating leases

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

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

29. Capital commitments

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

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

Note:

(i) On 18 December 2007, the Target Group entered into an agreement to purchase an aircraft at the cost of approximately US$51.8 million, which is expected to be ready for delivery and fully paid in 2012. On 4 September 2008, an amended agreement was signed and the cost was revised to be approximately US$50.3 million. At 30 September 2008, the Target Group had paid a deposit of US$5 million (equivalent to HK$39,030,000).

(ii) On 25 September 2008, the Target Group entered into a letter of intent for the conversion work of the aircraft into a corporate jet at a basic cost of approximately EUR14.6 million, with an optional cost of approximately EUR1.6 million for optional work. At 30 September 2008, the Target Group had paid a deposit of EUR0.5 million (equivalent to HK$5,544,000).

30. Pledge of assets

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

	At 30 September	At 31 December		
	2008	**2007**	**2006**	**2005**
	HK$	*HK$*	*HK$*	*HK$*
Bank deposits	3,000,000	3,000,000	3,000,000	3,000,000
Leasehold land and buildings	–	–	78,353,901	80,219,470
	3,000,000	3,000,000	81,353,901	83,219,470

31. Acquisition of subsidiaries

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

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

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

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

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

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

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

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

32. Disposal of subsidiaries

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

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

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

33. Major non-cash transactions

(i) Major non-cash transactions for the year ended 31 December 2005 have been disclosed in note 24(ii) and (iii), 26(ii) and (iii).

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

(iii) Major non-cash transactions for the period ended 30 September 2008 have been disclosed in note 36.

34. Loss on investment

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

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

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

35. Post balance sheet events

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

(i) On 10 October 2008, the Target Company entered into a sales and purchase agreement pursuant to which the entire interests in a wholly-owned subsidiary, Sky Vision Enterprises Limited ("Sky Vision"), be transferred to the three shareholders of the Target Company for the exchange of 409,633,334 ordinary shares of the Target Company held by them (the "Exchange"). Immediately after the Exchange, the three individuals would transfer all their respective beneficial interests in Sky Vision shares to a related company or its nominee.

(ii) During the period ended 30 September 2008, a bankruptcy order was made against a margin loan debtor (the "Bankrupt") of a subsidiary. Since then, an official receiver has been appointed which has, subsequent to 30 September 2008, demanded the subsidiary for the payment of the net amount due to the Bankrupt (the "Claim"). The maximum potential claim of approximately HK$13 million was recorded as other creditors of the Target Group as at 30 September 2008 and the subsidiary appointed a lawyer to handle the Claim. A director of the Target Company has also given an indemnity in the form of trust money of approximately HK$13 million to that subsidiary to finance any payment whenever necessary. As a result, the Claim will not cost the Target Group to have any cash outflow with a material financial impact.

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

36. Related party transactions

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

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

37. Contingencies

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

38. Capital management

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

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

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

39. Financial risk management objective and policies

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

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

Market risk

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

(i) Interest rate risk

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

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

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for all financial instruments in existence at that date. The 150 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period/year until the next annual balance sheet date. The analysis is performed on the same basis for 2007, 2006 and 2005.

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

(ii) Equity price risk

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

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

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

(iii) Foreign currency risk

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

Credit risk

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

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

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

At 30 September 2008, 31 December 2007, 2006 and 2005, the Target Group had a concentration of credit risk as 58%, 42.8%, 42% and 52.8% respectively of the total trade and other receivables was due from the Target Group's ten largest securities clients.

Liquidity risk

The Target Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and interest-bearing borrowing. The Target Group does not have a specific policy in place but the exposure to the liquidity risk in relation to these financial liabilities are monitored on an ongoing basis.

The maturity profile of the Target Group's financial liabilities at the balance sheet date based on contractual undiscounted payments are summarised below:

	Total	Less than 3 months or on demand	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Year ended 31 December 2005					
Trade and other payables	59,786,727	59,542,480	244,247	–	–
Due to a director	14,000,000	14,000,000	–	–	–
Due to a related company	998,485	998,485	–	–	–
Bank overdrafts	21,424,791	21,424,791	–	–	–
Interest-bearing borrowing	157,159,295	113,302,096	43,857,199	–	–
Convertible Note	231,521,863	–	–	–	231,521,863
	484,891,161	209,267,852	44,101,446	–	231,521,863
Year ended 31 December 2006					
Trade and other payables	32,873,851	31,647,255	1,226,596	–	–
Due to a related company	998,485	998,485	–	–	–
Bank overdrafts	24,792,208	24,792,208	–	–	–
Interest-bearing borrowing	250,399,158	57,115,210	129,057,396	18,460,368	45,766,184
Convertible notes	221,041,863	–	–	–	221,041,863
	530,105,565	114,553,158	130,283,992	18,460,368	266,808,047

	Total	Less than 3 months or on demand	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Year ended 31 December 2007					
Trade and other payables	226,632,879	226,632,879	–	–	–
Due to a director	20,982,350	20,982,350	–	–	–
Due to a related company	683,555,293	683,555,293	–	–	–
Bank overdrafts	8,186,180	8,186,180	–	–	–
Interest-bearing borrowing	205,391,747	205,391,747	–	–	–
	1,144,748,449	1,144,748,449	–	–	–
Period ended 30 September 2008					
Trade and other payables	27,741,112	27,741,112	–	–	–
Due to a related company	74,163,041	74,163,041	–	–	–
Bank overdrafts	28,371,315	28,371,315	–	–	–
Interest-bearing borrowing	119,643,137	73,650,671	45,992,466	–	–
	249,918,605	203,926,139	45,992,466	–	–

The Target Group will consistently apply a prudent liquidity risk management and ensure that it maintains sufficient cash and cash equivalents to meets its liquidity requirements with reference to the above maturity analysis.

Fair value

The directors of the Target Group consider that the carrying amount of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair value.

C. SUBSEQUENT FINANCIAL INFORMATION

Subsequent events

Save as disclosed elsewhere in this report, there was no other significant event took place subsequent to 30 September 2008.

Subsequent financial information

No audited financial statements have been prepared by the Target Group and the Target Company in respect of any period subsequent to 30 September 2008.

Yours faithfully,

Mazars CPA Limited
Certified Public Accountants
Hong Kong

D. UNAUDITED PRO FORMA FINANCIAL INFORMATION

Set out below is the unaudited pro forma financial information relating to Enlarged Group as extracted from the circular of the Company dated 30 January 2009.

ERNST & YOUNG
安 永

30 January 2009

The Directors
Freeman Corporation Limited

Dear Sirs,

Freeman Corporation Limited (the "Company") and its subsidiaries (the "Group")

We report on the unaudited pro forma financial information of the Group (the "Unaudited Pro Forma Financial Information") set out on pages 4 to 39 in Appendix III to the circular of the Company dated 30 January 2009 (the "Circular") in connection with very substantial acquisition of the Company, which has been prepared by the directors of the Company for illustrative purposes only, to provide information to the shareholders of the Company about how the Hennabun Shares Acquisition and/or the Hennabun Convertible Note Subscription (as defined in the Circular) might have affected the financial information presented in respect of the Group. The basis of preparation of the Unaudited Pro Forma Financial Information is set out on pages 4 to 39 in Appendix III to the Circular.

Responsibilities

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

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

Basis of opinion

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

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

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Group had the Hennabun Shares Acquisition and/or the Hennabun Convertible Note Subscription actually occurred as at the dates indicated therein or at any future dates; or

- the results and cash flows of the Group for the year ended 31 March 2008 or any future periods.

Opinion

In our opinion:

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

b. such basis is consistent with the accounting policies of the Group in respect of the year ended 31 March 2008; and

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

Yours faithfully

Ernst & Young
Certified Public Accountants
18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong

Since the completion of the Hennabun Shares Acquisition and the Hennabun Convertible Note Subscription are not inter-conditional, the financial effect of the Hennabun Shares Acquisition and/or the Hennabun Convertible Note Subscription can be analyzed into three different scenarios, which are (1) completion of the Hennabun Shares Acquisition takes place but completion of the Hennabun Convertible Note Subscription does not take place, (2) completion of the Hennabun Convertible Note Subscription takes place but completion of the Hennabun Shares Acquisition does not take place, and (3) completion of both the Hennabun Shares Acquisition and the Hennabun Convertible Note Subscription take place. The unaudited pro forma financial information in these three scenarios is set out as follows:

(A) Unaudited pro forma financial information of the Enlarged Group

(1) Unaudited pro forma consolidated balance sheet of the Enlarged Group

The following is an illustrative and unaudited pro forma consolidated balance sheet of the Enlarged Group which is prepared based on the unaudited consolidated balance sheet of the Group as at 30 September 2008 and the audited consolidated balance sheet of the Hennabun Group as at 30 September 2008, after giving effect to the pro forma adjustments as explained in the notes below, for the purpose of illustrating the effect of the Hennabun Shares Acquisition under scenario (1) on the financial position of the Enlarged Group as if the Hennabun Shares Acquisition under scenario (1) had taken place on 30 September 2008, assuming that there is no conversion or redemption of the FCL Convertible Note.

The unaudited pro forma consolidated balance sheet has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group had the Hennabun Shares Acquisition under scenario (1) been completed as at 30 September 2008 or at any future dates.

Unaudited pro forma consolidated balance sheet of the Enlarged Group
(In HK$'000)

	The Group as at 30 September 2008 *(Note 1)*	Hennabun Group as at 30 September 2008 *(Note 2)*	Pro Forma Adjustments	*Notes*	Unaudited pro forma Enlarged Group *(Note 6)*
NON-CURRENT ASSETS					
Property, plant and equipment	30,222	17,757			47,979
Investment properties	92,566	–			92,566
Prepaid land premium	50,376	–			50,376
Available-for-sale investment	17,672	–			17,672
Loans receivable	4,014	–			4,014
Deposits for purchases of investment properties	1,781	–			1,781
Deposits for acquisition of property, plant & equipment *(Note 6)*	–	44,574			44,574
Other non-current assets	–	2,020			2,020
Other investments	–	74,247			74,247
Intangible assets	–	2,743			2,743
Total Non-Current Assets	196,631	141,341			337,972
CURRENT ASSETS					
Prepayments, deposits and other receivables	5,181	–			5,181
Loans receivable	256,671	–	(45,000)	*4*	211,671
Investments at fair value through profit or loss	353,307	45,518			398,825
Cash and bank balances	350,209	123,620			473,829
Trade and other receivables	–	215,297			215,297
Deposit for investment project *(Note 6)*	–	31,240			31,240
Pledged bank deposits	–	3,000			3,000
Total Current Assets	965,368	418,675			1,339,043

	The Group as at 30 September 2008 *(Note 1)*	Hennabun Group as at 30 September 2008 *(Note 2)*	Pro Forma Adjustments	*Notes*	Unaudited pro forma Enlarged Group *(Note 6)*
CURRENT LIABILITIES					
Trade, other payables and accruals *(Note 6)*	4,366	40,741			45,107
Interest-bearing bank and other borrowings	5,928	118,000	(45,000)	*4*	78,928
Derivative component of FCL Convertible Note	–	–	55,521	*3, 5*	55,521
Tax payable	4,706	1,628			6,334
Due to a related company *(Note 6)*	–	61,163			61,163
Bank overdrafts	–	28,371			28,371
Total Current Liabilities	15,000	249,903			275,424
NET CURRENT ASSETS	950,368	168,772			1,063,619
TOTAL ASSETS LESS CURRENT LIABILITIES	1,146,999	310,113			1,401,591
NON-CURRENT LIABILITIES					
Interest-bearing bank borrowing	88,989	–			88,989
Liability component of FCL Convertible Note	–	–	50,279	*3, 5*	50,279
Deferred tax liabilities	2,431	–			2,431
Total Non-Current Liabilities	91,420	–			141,699
Net Assets	1,055,579	310,113			1,259,892
EQUITY					
Equity attributable to equity holders of the Company					
Issued capital	488,659	418,413	(418,413)	*3*	488,659
Reserves	566,920	(108,300)	108,300	*3*	566,920
Excess over the cost of business combination *(Note 6)*	–	–	140,616	*3*	140,616
Minority interests *(Note 6)*	–	–	63,697	*3*	63,697
Total Equity	1,055,579	310,113			1,259,892

Notes:

(1) The unaudited condensed consolidated balance sheet of the Group as at 30 September 2008 was extracted from the published interim report of the Group for the six months ended 30 September 2008.

(2) The audited consolidated balance sheet of the Hennabun Group as at 30 September 2008 was extracted from the accountant's report on the Hennabun Group, which is set out in Appendix II to the Circular.

(3) Adjustments to account for the acquisition of 79.46% interest in the Hennabun Group by the issue of the HK$105,800,000 FCL Convertible Note and to recognise the estimated discount on acquisition of approximately HK$140,616,000 in the unaudited pro forma consolidated income statement.

(4) The Group granted a loan of HK$45,000,000 to the Hennabun Group in September 2008. The adjustment represents elimination of the Group's loan receivable balance of HK$45,000,000 owed from the Hennabun Group as at 30 September 2008.

(5) The adjustment represents the recognition of the derivative and liability components of the FCL Convertible Note based on their estimated fair values of approximately HK$55,521,000 and HK$50,279,000, respectively, as at 30 September 2008 as if the Hennabun Shares Acquisition had been completed on 30 September 2008.

(6) Subsequent to 30 September 2008, the Hennabun Group effected the Hennabun Disposals whereby (i) the Hennabun Group transferred all its interests in Sky Vision to three shareholders of Hennabun for the exchange of 409,633,334 ordinary shares of Hennabun held by them; and (ii) the Hennabun Group disposed of all its interest in Hero City to a related company at a consideration of approximately HK$31,200,000 by setting off the consideration with the amount owed by the Hennabun Group to that related company. The Hennabun Disposals have not been taken into account of in the above unaudited pro forma consolidated balance sheet. Had the Hennabun Disposals been taken place on 30 September 2008, the financial impact of the Hennabun Disposals on the unaudited pro forma consolidated balance sheet of the Enlarged Group would be as follows:

	HK$'000
Decrease in deposits for acquisition of property, plant & equipment	(44,574)
Decrease in deposit for investment project	(31,240)
Decrease in trade, other payables and accruals	5
Decrease in an amount due to a related company	31,240
Net decrease in net assets	(44,569)

	HK$'000
Represented by:	
Decrease in excess over the cost of business combination	(35,415)
Decrease in minority interests	(9,154)
	(44,569)

The excess over the cost of business combination and minority interests, after taking into consideration of the Hennabun Disposals, would be calculated as follows:

	HK$'000
Estimated net fair value of the identifiable assets and liabilities of the Hennabun Group	310,113
Less: Adjustments for the decrease in net assets following the Hennabun Disposals	(44,569)
Adjusted net fair value of the identifiable assets and liabilities of the Hennabun Group	265,544
Less: 20.54% share attributable to minority interests of the Enlarged Group	(54,543)
Adjusted net assets attributable to the Group as adjusted for the Hennabun Disposals	211,001
Less: Purchase consideration	(105,800)
Estimated excess over the cost of business combination as adjusted for the Hennabun Disposals	105,201

(2) Unaudited pro forma consolidated income statement of the Enlarged Group

The following is an illustrative and unaudited pro forma consolidated income statement of the Enlarged Group which is prepared based on the audited consolidated income statement of the Group for the year ended 31 March 2008 and the audited consolidated income statement of the Hennabun Group for the year ended 31 December 2007, after giving effect to the pro forma adjustments as explained in the notes below, for the purpose of illustrating the effect of the Hennabun Shares Acquisition under scenario (1) on the results of the Enlarged Group as if the Hennabun Shares Acquisition under scenario (1) had taken place on 1 April 2007, assuming that there is no conversion or redemption of the FCL Convertible Note.

This illustrative pro forma consolidated income statement has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the results of the Enlarged Group for the year ended 31 March 2008 or any future periods had the Hennabun Shares Acquisition under scenario (1) been completed on 1 April 2007 or at any future dates.

Unaudited pro forma consolidated income statement of the Enlarged Group

(In HK$'000)

	The Group for the year ended 31 March 2008 *(Note 1)*	Hennabun Group for the year ended 31 December 2007 *(Note 2)*	Pro forma adjustments	*Notes*	Unaudited pro forma Enlarged Group
REVENUE	85,340	143,604			228,944
Cost of sales	(7,802)	–			(7,802)
Gross profit	77,538	143,604			221,142
Other income and gains	27,294	114	(2,373)	*3*	25,035
Gains arising from changes in fair value of investment properties, net	16,130	–			16,130
Fair value losses on investments at fair value through profit or loss, net	(456,450)	(73,299)			(529,749)
Gain on disposal of interests in subsidiaries *(Note 7)*	–	1,765			1,765
Allowance for bad and doubtful debts	–	(40,032)			(40,032)
Bad debts written off	–	(918)			(918)
Loss on investment	–	(55,000)			(55,000)
General and administrative expenses	(40,829)	(14,410)			(55,239)
Other expenses	(13,981)	(36,478)			(50,459)
Finance costs	(6,059)	(17,762)	(12,005)	*3, 6*	(35,826)
Excess over the cost of business combination *(Note 7)*	–	–	140,616	*4*	140,616
Loss before tax	(396,357)	(92,416)			(362,535)
Tax	(7,351)	–			(7,351)
Loss for the year	(403,708)	(92,416)			(369,886)
Loss attributable to:					
Equity holders of the parent	(403,708)	(92,416)	145,220		(350,904)
Minority interests	–	–	(18,982)	*5*	(18,982)
	(403,708)	(92,416)			(369,886)

Notes:

(1) The audited consolidated income statement of the Group for the year ended 31 March 2008 was extracted from the published annual report of the Group for the year ended 31 March 2008.

(2) The audited consolidated income statement of the Hennabun Group for the year ended 31 December 2007 was extracted from the accountant's report on the Hennabun Group, which is set out in Appendix II to the Circular.

(3) The adjustments represent the elimination of interest income of HK$2,373,000 earned from the loans granted to the Hennabun Group during the year ended 31 March 2008.

(4) Had the Hennabun Shares Acquisition been completed on 1 April 2007, the estimated excess over the cost of business combination shall be calculated as follows:

	HK$'000
Estimated net fair value of the identifiable assets and liabilities of the Hennabun Group	310,113
Less: 20.54% share attributable to minority interests of the Enlarged Group	(63,697)
Adjusted net assets attributable to the Group	246,416
Less: Purchase consideration	(105,800)
Estimated excess over the cost of business combination	140,616

(5) The adjustment represents minority interest's share of loss of the Hennabun Group for the year ended 31 December 2007.

(6) The adjustment represents the imputed interest expense of HK$14,378,000 for the year ended 31 March 2008 on the FCL Convertible Note, assuming an effective interest rate of 27.6% per annum, as if the Hennabun Shares Acquisition had been completed on 1 April 2007. This unaudited pro forma adjustment will have continuing income statement effect to the Enlarged Group, and the actual amount will vary according to the timing of the whole or any part of the FCL Convertible Note being converted or redeemed and the applicable effective rate.

(7) Subsequent to 31 March 2008, the Hennabun Group effected the Hennabun Disposals which have not be taken into account of in the above unaudited pro forma consolidated income statement. Had the Hennabun Disposals been completed on 1 April 2007, (i) a gain of approximately HK$5,000 would be resulted from the Hennabun Disposals; and (ii) the estimated excess over the cost of business combination arising from the Hennabun Shares Acquisition would be adjusted from HK$140,616,000 to HK$105,201,000.

Please refer to note 6 to the unaudited pro forma consolidated balance sheet of the Enlarged Group under scenario (1) for details.

(8) No adjustments have been made to reflect any trading results or other transactions of the Group and the Hennabun Group entered into subsequent to 31 March 2008.

(3) Unaudited pro forma consolidated cash flow statement of the Enlarged Group

The following is an illustrative and unaudited pro forma consolidated cash flow statement of the Enlarged Group which is prepared based on the audited consolidated cash flow statement of the Group for the year ended 31 March 2008 and the audited consolidated cash flow statement of the Hennabun Group for the year ended 31 December 2007, after giving effect to the pro forma adjustments as explained in the notes below, for the purpose of illustrating the effect of the Hennabun Shares Acquisition under scenario (1) on the cash flows of the Enlarged Group as if the Hennabun Shares Acquisition under scenario (1) had taken place on 1 April 2007, assuming that there is no conversion or redemption of the FCL Convertible Note.

This illustrative pro forma consolidated cash flow statement has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the cash flows of the Enlarged Group for the year ended 31 March 2008 or any future periods had the Hennabun Shares Acquisition under scenario (1) been completed on 1 April 2007 or at any future dates.

Unaudited pro forma consolidated cash flow statement of the Enlarged Group

(In HK$'000)

	The Group for the year ended 31 March 2008 *(Note 1)*	Hennabun Group for the year ended 31 December 2007 *(Note 2)*	Pro forma adjustments	*Notes*	Unaudited Pro Forma Enlarged Group
CASH FLOW FROM OPERATING ACTIVITIES					
Loss before tax	(396,357)	(92,416)	126,238	*3, 4, 5*	(362,535)
Adjustments for:					
Finance costs	6,059	17,762	12,005	*3, 4*	35,826
Interest income	(29,569)	–	2,373	*3*	(27,196)
Depreciation	1,872	5,872			7,744
Recognition of prepaid land premium	247	–			247
Foreign exchange difference arising from available-for-sale investment	126	–			126
Fair value losses on investments at fair value through profit or loss, net	456,450	73,299			529,749
Loss on disposal/write-off of items of property, plant and equipment	30	58			88
Loss on revaluation upon reclassification of an owner-occupied property to an investment property	43	–			43
Loss/(gain) on disposal of subsidiaries	212	(1,765)			(1,553)
Loss on redemption of convertible notes	287	–			287
Allowance for bad and doubtful debts and bad debts written off	–	40,950			40,950
Provision for loss on misappropriation of clients' securities	–	2,500			2,500
Provision for penalty imposed by the Securities and Futures Commission	–	1,500			1,500
Gains arising from changes in fair value of investment properties, net	(16,130)	–			(16,130)
Gain on settlement of other borrowings	(14,545)	–			(14,545)
Impairment of goodwill	12,129	–			12,129
Impairment of other receivables	1,310	–			1,310
Equity-settled share option expenses	11,210	–			11,210
Excess over the cost of business combination	–	–	(140,616)	*5*	(140,616)
	33,374	47,760			81,134

	The Group for the year ended 31 March 2008 (Note 1)	Hennabun Group for the year ended 31 December 2007 (Note 2)	Pro forma adjustments	Notes	Unaudited Pro Forma Enlarged Group
Decrease/(increase) in loans, trade and other receivables	41,078	(564,980)	20,000	6	(503,902)
Decrease/(increase) in prepayments, deposits and other receivables	20,509	–			20,509
Increase in investments at fair value through profit or loss	(670,235)	–			(670,235)
Decrease in trade and other payables and accruals	(1,515)	143,546			142,031
Due to a director	–	20,982			20,982
Cash used in operations	(576,789)	(352,692)			(909,481)
Interest received	29,569	–			29,569
Interest paid	(3,257)	(19,810)			(23,067)
Net cash outflow from operating activities	(550,477)	(372,502)			(902,979)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of items of property, plant and equipment	(23,437)	(100,254)			(123,691)
Proceeds from disposal of items of property, plant and equipment	410	300			710
Deposits for acquisition of items of property, plant and equipment	–	(39,030)			(39,030)
Purchases of investment properties	(47,553)	–			(47,553)
Additions to prepaid land premium	(38,711)	–			(38,711)
Net purchases of investments at fair value through profit or loss	–	(156,854)			(156,854)
Cash contribution to Central Clearing and Settlement System Guarantee Fund	–	(40)			(40)
Proceeds from disposal of an associate	50,000	–			50,000
Disposal of subsidiaries	5,994	87,987			93,981
Purchase of available-for-sale investment	(19,586)	–			(19,586)
Net cash outflow from investing activities	(72,883)	(207,891)			(280,774)

	The Group for the year ended 31 March 2008 *(Note 1)*	Hennabun Group for the year ended 31 December 2007 *(Note 2)*	Pro forma adjustments	*Notes*	Unaudited Pro Forma Enlarged Group
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from placement of new shares and/or rights issue	515,051	17,000			532,051
Proceeds from issue of convertible notes	243,406	–			243,406
Proceeds from exercise of share options	35,046	–			35,046
Share issue expenses	(12,503)	–			(12,503)
Drawdown of bank and other borrowings	62,287	548,550	(20,000)	*6*	590,837
Repayment of bank and other borrowings	(8,904)	(519,050)			(527,954)
Advance from a related company	–	682,557			682,557
Redemption of convertible notes	(5,000)	–			(5,000)
Net cash inflow from financing activities	829,383	729,057			1,538,440
NET INCREASE IN CASH AND CASH EQUIVALENTS	206,023	148,664			354,687
Cash and cash equivalents at beginning of year	72,626	22,097			94,723
CASH AND CASH EQUIVALENTS AT END OF YEAR	278,649	170,761			449,410
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS					
Cash and bank balances	278,649	175,947			454,596
Pledged bank deposits	–	3,000			3,000
Bank overdrafts	–	(8,186)			(8,186)
	278,649	170,761			449,410

Notes:

(1) The audited consolidated cash flow statement of the Group for the year ended 31 March 2008 was extracted from the published annual report of the Group for the year ended 31 March 2008.

(2) The audited consolidated cash flow statement of the Hennabun Group for the year ended 31 December 2007 was extracted from the accountant's report on the Hennabun Group, which is set out in Appendix II to the Circular.

(3) The adjustment represents elimination of interest income of HK$2,373,000 earned from the loans granted to the Hennabun Group during the year ended 31 March 2008.

(4) The adjustment represents the imputed interest expense of HK$14,378,000 for the year ended 31 March 2008 on the FCL Convertible Note, assuming an effective interest rate of 27.6% per annum, as if the Hennabun Shares Acquisition had been completed on 1 April 2007.

This unaudited pro forma adjustment will have continuing cash flow statement effect to the Enlarged Group, and the actual amount will vary according to the timing of the whole or any part of the FCL Convertible Note being converted or redeemed and the applicable effective rate.

(5) The adjustment represents the estimated excess over the cost of business combination arising from the Hennabun Shares Acquisition had the Hennabun Shares Acquisition been completed on 1 April 2007.

(6) The adjustment represents elimination of the Group's loan receivable balance of HK$20,000,000 granted to the Hennabun Group during the year ended 31 March 2008.

(7) No adjustments have been made to reflect any trading results or other transactions of the Group and the Hennabun Group entered into subsequent to 31 March 2008.

(B) Unaudited pro forma financial information of the group

(1) Unaudited pro forma consolidated balance sheet of the Group

The following is an illustrative and unaudited pro forma consolidated balance sheet of the Group which is prepared based on the unaudited consolidated balance sheet of the Group as at 30 September 2008, after giving effect to the pro forma adjustments as explained in the notes below, for the purpose of illustrating the effect of the Hennabun Convertible Note Subscription under scenario (2) on the financial position of the Group as if the Hennabun Convertible Note Subscription under scenario (2) had taken place on 30 September 2008, assuming that there is no conversion or redemption of the Hennabun Convertible Note.

The unaudited pro forma consolidated balance sheet has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Hennabun Convertible Note Subscription under scenario (2) been completed as at 30 September 2008 or at any future dates.

Unaudited pro forma consolidated balance sheet of the Group
(In HK$'000)

	The Group as at 30 September 2008 *(Note 1)*	Pro Forma Adjustment	*Note*	Unaudited pro forma The Group
NON-CURRENT ASSETS				
Property, plant and equipment	30,222			30,222
Investment properties	92,566			92,566
Prepaid land premium	50,376			50,376
Available-for-sale investment	17,672			17,672
Loans receivable	4,014			4,014
Deposits for purchases of investment properties	1,781			1,781
Investments at fair value through profit or loss	–	250,000	2	250,000
Total Non-Current Assets	196,631			446,631
CURRENT ASSETS				
Prepayments, deposits and other receivables	5,181			5,181
Loans receivable	256,671			256,671
Investments at fair value through profit or loss	353,307			353,307
Cash and bank balances	350,209	(250,000)	2	100,209
Total Current Assets	965,368			715,368

	The Group as at 30 September 2008 *(Note 1)*	Pro Forma Adjustment	*Note*	Unaudited pro forma The Group
CURRENT LIABILITIES				
Trade, other payables and accruals	4,366			4,366
Interest-bearing bank borrowings	5,928			5,928
Tax payable	4,706			4,706
Total Current Liabilities	15,000			15,000
NET CURRENT ASSETS	950,368			700,368
TOTAL ASSETS LESS CURRENT LIABILITIES	1,146,999			1,146,999
NON-CURRENT LIABILITIES				
Interest-bearing bank borrowings	88,989			88,989
Deferred tax liabilities	2,431			2,431
Total Non-Current Liabilities	91,420			91,420
Net Assets	1,055,579			1,055,579
EQUITY				
Equity attributable to equity holders of the Company				
Issued capital	488,659			488,659
Reserves	566,920			566,920
Total Equity	1,055,579			1,055,579

Notes:

(1) The unaudited condensed consolidated balance sheet of the Group as at 30 September 2008 was extracted from the published interim report of the Group for the six months ended 30 September 2008.

(2) The adjustment reflects the subscription of Hennabun Convertible Note with a cash consideration of HK$250,000,000 as if the Hennabun Convertible Note Subscription had been completed on 30 September 2008.

(2) Unaudited pro forma consolidated income statement of the Group

The following is an illustrative and unaudited pro forma consolidated income statement of the Group which is prepared based on the audited consolidated income statement of the Group for the year ended 31 March 2008, after giving effect to the pro forma adjustments as explained in the notes below, for the purpose of illustrating the effect of the Hennabun Convertible Note Subscription under scenario (2) on the results of the Group as if the Hennabun Convertible Note Subscription under scenario (2) had taken place on 1 April 2007, assuming that there is no conversion or redemption of the Hennabun Convertible Note.

This illustrative pro forma consolidated income statement has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the results of the Group for the year ended 31 March 2008 or any future periods had the Hennabun Convertible Note Subscription under scenario (2) been completed on 1 April 2007 or at any future dates.

Unaudited pro forma consolidated income statement of the Group
(In HK$'000)

	The Group for the year ended 31 March 2008 *(Note 1)*	Pro forma adjustments	*Notes*	Unaudited pro forma The Group
REVENUE	85,340			85,340
Cost of sales	(7,802)			(7,802)
Gross profit	77,538			77,538
Other income and gains	27,294	12,500	*2*	39,794
Gains arising from changes in fair value of investment properties, net	16,130			16,130
Fair value losses on investments at fair value through profit or loss, net	(456,450)	(48,125)	*3*	(504,575)
General and administrative expenses	(40,829)			(40,829)
Other expenses	(13,981)			(13,981)
Finance costs	(6,059)			(6,059)
LOSS BEFORE TAX	(396,357)			(431,982)
Tax	(7,351)			(7,351)
LOSS FOR THE YEAR	(403,708)			(439,333)

Notes:

(1) The audited consolidated income statement of the Group for the year ended 31 March 2008 was extracted from the published annual report of the Group for the year ended 31 March 2008.

(2) The adjustment represents the interest income for the year ended 31 March 2008 on the Hennabun Convertible Note based on its coupon rate of 5% per annum as if the Hennabun Convertible Note Subscription had been completed on 1 April 2007.

This unaudited pro forma adjustment will have continuing income statement effect to the Group, and the actual amount will vary according to the timing of the whole or any part of the Hennabun Convertible Note being converted or redeemed and the applicable coupon rate.

(3) The adjustment represents the fair value loss for the year ended 31 March 2008 on the Hennabun Convertible Note as if the Hennabun Convertible Note Subscription had been completed on 1 April 2007. The estimated fair value of the Hennabun Convertible Note as at 30 September 2008 is approximately HK$201,875,000. A fair value loss of approximately HK$48,125,000 is therefore resulted when compared to the cash consideration of HK$250,000,000 for the Hennabun Convertible Note Subscription.

(3) Unaudited pro forma consolidated cash flow statement of the Group

The following is an illustrative and unaudited pro forma consolidated cash flow statement of the Group which is prepared based on the audited consolidated cash flow statement of the Group for the year ended 31 March 2008, after giving effect to the pro forma adjustments as explained in the notes below, for the purpose of illustrating the effect of the Hennabun Convertible Note Subscription under scenario (2) on the cash flows of the Group as if the Hennabun Convertible Note Subscription under scenario (2) had taken place on 1 April 2007, assuming that there is no conversion or redemption of the Hennabun Convertible Note.

This illustrative pro forma consolidated cash flow statement has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the cash flows of the Group for the year ended 31 March 2008 or any future periods had the Hennabun Convertible Note Subscription under scenario (2) been completed on 1 April 2007 or at any future dates.

Unaudited pro forma consolidated cash flow statement of the Group
(In HK$'000)

	The Group for the year ended 31 March 2008 *(Note 1)*	Pro forma adjustments	*Notes*	Unaudited Pro Forma The Group
CASH FLOW FROM OPERATING ACTIVITIES				
Loss before tax	(396,357)	(35,625)	*2, 3*	(431,982)
Adjustments for:				
Finance costs	6,059			6,059
Interest income	(29,569)	(12,500)	*2*	(42,069)
Depreciation	1,872			1,872
Recognition of prepaid land premium	247			247
Foreign exchange difference arising from available-for-sale investment	126			126
Fair value losses on investments at fair value through profit or loss, net	456,450	48,125	*3*	504,575
Loss on disposal/write-off of items of property, plant and equipment	30			30
Loss on revaluation upon reclassification of an owner-occupied property to an investment property	43			43
Loss on disposal of subsidiaries	212			212
Loss on redemption of convertible notes	287			287
Gains arising from changes in fair value of investment properties, net	(16,130)			(16,130)
Gain on settlement of other borrowings	(14,545)			(14,545)
Impairment of goodwill	12,129			12,129
Impairment of other receivables	1,310			1,310
Equity-settled share option expenses	11,210			11,210
	33,374			33,374

	The Group for the year ended 31 March 2008 *(Note 1)*	**Pro forma adjustments**	*Notes*	**Unaudited Pro Forma The Group**
Decrease in loans receivable	41,078			41,078
Decrease in prepayments, deposits and other receivables	20,509			20,509
Increase in investments at fair value through profit or loss	(670,235)			(670,235)
Decrease in trade and other payables and accruals	(1,515)			(1,515)
Cash used in operations	(576,789)			(576,789)
Interest received	29,569			29,569
Interest paid	(3,257)			(3,257)
Net cash outflow from operating activities	(550,477)			(550,477)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of items of property, plant and equipment	(23,437)			(23,437)
Proceeds from disposal of items of property, plant and equipment	410			410
Purchases of investment properties	(47,553)			(47,553)
Additions to prepaid land premium	(38,711)			(38,711)
Proceeds from disposal of an associate	50,000			50,000
Disposal of subsidiaries	5,994			5,994
Purchase of an investment at fair value through profit or loss	–	(250,000)	*4*	(250,000)
Purchase of available-for-sale investment	(19,586)			(19,586)
Net cash outflow from investing activities	(72,883)			(322,883)

	The Group for the year ended 31 March 2008 *(Note 1)*	Pro forma adjustments	*Notes*	Unaudited Pro Forma The Group
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from placement of new shares and rights issue	515,051			515,051
Proceeds from issue of convertible notes	243,406			243,406
Proceeds from exercise of share options	35,046			35,046
Share issue expenses	(12,503)			(12,503)
Drawdown of bank and other borrowings	62,287			62,287
Repayment of bank and other borrowings	(8,904)			(8,904)
Redemption of convertible notes	(5,000)			(5,000)
Net cash inflow from financing activities	829,383			829,383
NET INCREASE IN CASH AND CASH EQUIVALENTS	206,023			(43,977)
Cash and cash equivalents at beginning of year	72,626			72,626
CASH AND CASH EQUIVALENTS AT END OF YEAR	278,649			28,649
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and bank balances	278,649	(250,000)	*4*	28,649

Notes:

(1) The audited consolidated cash flow statement of the Group for the year ended 31 March 2008 was extracted from the published annual report of the Group for the year ended 31 March 2008.

(2) The adjustment represents the interest income for the year ended 31 March 2008 on the Hennabun Convertible Note based on its coupon rate of 5% per annum as if the Hennabun Convertible Note Subscription had been completed on 1 April 2007. This unaudited pro forma adjustment will have continuing cash flow statement effect to the Group, and the actual amount will vary according to the timing of the whole or any part of the Hennabun Convertible Note being converted or redeemed and the applicable coupon rate.

(3) The adjustment represents the fair value loss for the year ended 31 March 2008 on the Hennabun Convertible Note as if the Hennabun Convertible Note Subscription had been completed on 1 April 2007. The estimated fair value of the Hennabun Convertible Note as at 30 September 2008 is approximately HK$201,875,000. A fair value loss of approximately HK$48,125,000 is therefore resulted when compared to the cash consideration of HK$250,000,000 for the Hennabun Convertible Note Subscription.

(4) The adjustment reflects the subscription of Hennabun Convertible Note with a cash consideration of HK$250,000,000 as if the Hennabun Convertible Note Subscription had been completed on 1 April 2007.

(C) Unaudited pro forma financial information of the Enlarged Group

(1) Unaudited pro forma consolidated balance sheet of the Enlarged Group

The following is an illustrative and unaudited pro forma consolidated balance sheet of the Enlarged Group which is prepared based on the unaudited consolidated balance sheet of the Group as at 30 September 2008 and the audited consolidated balance sheet of the Hennabun Group as at 30 September 2008, after giving effect to the pro forma adjustments as explained in the notes below, for the purpose of illustrating the effect of the Hennabun Shares Acquisition and the Hennabun Convertible Note Subscription under scenario (3) on the financial position of the Enlarged Group as if the Hennabun Shares Acquisition and the Hennabun Convertible Note Subscription under scenario (3) had taken place on 30 September 2008, assuming that there is no conversion or redemption of the FCL Convertible Note and the Hennabun Convertible Note.

The unaudited pro forma consolidated balance sheet has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group had the Hennabun Shares Acquisition and the Hennabun Convertible Note Subscription under scenario (3) been completed as at 30 September 2008 or at any future dates.

Unaudited pro forma consolidated balance sheet of the Enlarged Group

(In HK$'000)

	The Group as at 30 September 2008	Hennabun Group as at 30 September 2008	Pro Forma Adjustments	*Notes*	Unaudited pro forma Enlarged Group
	(Note 1)	*(Note 2)*			*(Note 6)*
NON-CURRENT ASSETS					
Property, plant and equipment	30,222	17,757			47,979
Investment properties	92,566	–			92,566
Prepaid land premium	50,376	–			50,376
Available-for-sale investment	17,672	–			17,672
Loans receivable	4,014	–			4,014
Deposits for purchases of investment properties	1,781	–			1,781
Deposits for acquisition of property, plant & equipment *(Note 6)*	–	44,574			44,574
Other non-current assets	–	2,020			2,020
Other investments	–	74,247			74,247
Intangible assets	–	2,743			2,743
Total Non-Current Assets	196,631	141,341			337,972
CURRENT ASSETS					
Prepayments, deposits and other receivables	5,181	–			5,181
Loans receivable	256,671	–	(45,000)	*4*	211,671
Investments at fair value through profit or loss	353,307	45,518			398,825
Cash and bank balances	350,209	123,620			473,829
Trade and other receivables	–	215,297			215,297
Deposit for investment project *(Note 6)*	–	31,240			31,240
Pledged bank deposits	–	3,000			3,000
Total Current Assets	965,368	418,675			1,339,043

	The Group as at 30 September 2008 *(Note 1)*	Hennabun Group as at 30 September 2008 *(Note 2)*	Pro Forma Adjustments	*Notes*	Unaudited pro forma Enlarged Group *(Note 6)*
CURRENT LIABILITIES					
Trade, other payables and accruals *(Note 6)*	4,366	40,741			45,107
Interest-bearing bank and other borrowings	5,928	118,000	(45,000)	*4*	78,928
Derivative component of FCL Convertible Note	–	–	55,521	*3, 5*	55,521
Tax payable	4,706	1,628			6,334
Due to a related company *(Note 6)*	–	61,163			61,163
Bank overdrafts	–	28,371			28,371
Total Current Liabilities	15,000	249,903			275,424
NET CURRENT ASSETS	950,368	168,772			1,063,619
TOTAL ASSETS LESS CURRENT LIABILITIES	1,146,999	310,113			1,401,591
NON-CURRENT LIABILITIES					
Interest-bearing bank borrowing	88,989	–			88,989
Liability component of FCL Convertible Note	–	–	50,279	*3, 5*	50,279
Deferred tax liabilities	2,431	–			2,431
Total Non-Current Liabilities	91,420	–			141,699
Net Assets	1,055,579	310,113			1,259,892
EQUITY					
Equity attributable to equity holders of the Company					
Issued capital	488,659	418,413	(418,413)	*3*	488,659
Reserves	566,920	(108,300)	108,300	*3*	566,920
Excess over the cost of business combination *(Note 6)*	–	–	140,616	*3*	140,616
Minority interests *(Note 6)*	–	–	63,697	*3*	63,697
Total Equity	1,055,579	310,113			1,259,892

Notes:

(1) The unaudited condensed consolidated balance sheet of the Group as at 30 September 2008 was extracted from the published interim report of the Group for the six months ended 30 September 2008.

(2) The audited consolidated balance sheet of the Hennabun Group as at 30 September 2008 was extracted from the accountant's report on the Hennabun Group, which is set out in Appendix II to the Circular.

(3) Adjustments to account for the acquisition of 79.46% interest in the Hennabun Group by the issue of the HK$105,800,000 FCL Convertible Note and to recognise the estimated discount on acquisition of approximately HK$140,616,000 in the unaudited pro forma consolidated income statement.

(4) The Group granted a loan of HK$45,000,000 to the Hennabun Group in September 2008. The adjustment represents elimination of the Group's loan receivable balance of HK$45,000,000 owed from the Hennabun Group as at 30 September 2008.

(5) The adjustment represents the recognition of the derivative and liability components of the FCL Convertible Note based on their estimated fair values of approximately HK$55,521,000 and HK$50,279,000, respectively, as at 30 September 2008 as if the Hennabun Shares Acquisition had been completed on 30 September 2008.

(6) Subsequent to 30 September 2008, the Hennabun Group effected the Hennabun Disposals whereby (i) the Hennabun Group transferred all its interests in Sky Vision to three shareholders of Hennabun for the exchange of 409,633,334 ordinary shares of Hennabun held by them; and (ii) the Hennabun Group disposed of all its interest in Hero City to a related company at a consideration of approximately HK$31,200,000 by setting off the consideration with the amount owed by the Hennabun Group to that related company. The Hennabun Disposals have not been taken into account of in the above unaudited pro forma consolidated balance sheet. Had the Hennabun Disposals been completed on 30 September 2008, the financial impact of the Hennabun Disposals on the unaudited pro forma consolidated balance sheet of the Enlarged Group would be as follows:

	HK$'000
Decrease in deposits for acquisition of property, plant & equipment	(44,574)
Decrease in deposit for investment project	(31,240)
Decrease in trade, other payables and accruals	5
Decrease in an amount due to a related company	31,240
Net decrease in net assets	(44,569)

	HK$'000
Represented by:	
Decrease in excess over the cost of business combination	(35,415)
Decrease in minority interests	(9,154)
	(44,569)

The excess over the cost of business combination and minority interests, after taking into consideration of the Hennabun Disposals, would be calculated as follows:

	HK$'000
Estimated net fair value of the identifiable assets and liabilities of the Hennabun Group	310,113
Less: Adjustments for the decrease in net assets following the Hennabun Disposals	(44,569)
Adjusted net fair value of the identifiable assets and liabilities of the Hennabun Group	265,544
Less: 20.54% share attributable to minority interests of the Enlarged Group	(54,543)
Adjusted net assets attributable to the Group as adjusted for the Hennabun Disposals	211,001
Less: Purchase consideration	(105,800)
Estimated excess over the cost of business combination as adjusted for the Hennabun Disposals	105,201

(2) Unaudited pro forma consolidated income statement of the Enlarged Group

The following is an illustrative and unaudited pro forma consolidated income statement of the Enlarged Group which is prepared based on the audited consolidated income statement of the Group for the year ended 31 March 2008 and the audited consolidated income statement of the Hennabun Group for the year ended 31 December 2007, after giving effect to the pro forma adjustments as explained in the notes below, for the purpose of illustrating the effect of the Hennabun Shares Acquisition and the Hennabun Convertible Note Subscription under scenario (3) on the results of the Enlarged Group as if the Hennabun Shares Acquisition and the Hennabun Convertible Note Subscription under scenario (3) had taken place on 1 April 2007, assuming that there is no conversion or redemption of the FCL Convertible Note and the Hennabun Convertible Note.

This illustrative pro forma consolidated income statement has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the results of the Enlarged Group for the year ended 31 March 2008 or any future periods had the Hennabun Shares Acquisition and the Hennabun Convertible Note Subscription under scenario (3) been completed on 1 April 2007 or at any future dates.

Unaudited pro forma consolidated income statement of the Enlarged Group
(In HK$'000)

	The Group for the year ended 31 March 2008 *(Note 1)*	Hennabun Group for the year ended 31 December 2007 *(Note 2)*	Pro forma adjustments	*Notes*	Unaudited pro forma Enlarged Group
REVENUE	85,340	143,604			228,944
Cost of sales	(7,802)	–			(7,802)
Gross profit	77,538	143,604			221,142
Other income and gains	27,294	114	(2,373)	*3*	25,035
Gains arising from changes in fair value of investment properties, net	16,130	–			16,130
Fair value losses on investments at fair value through profit or loss, net	(456,450)	(73,299)			(529,749)
Gain on disposal of interests in subsidiaries *(Note 7)*	–	1,765			1,765
Allowance for bad and doubtful debts	–	(40,032)			(40,032)
Bad debts written off	–	(918)			(918)
Loss on investment	–	(55,000)			(55,000)
General and administrative expenses	(40,829)	(14,410)			(55,239)
Other expenses	(13,981)	(36,478)			(50,459)
Finance costs	(6,059)	(17,762)	(12,005)	*3, 6*	(35,826)
Excess over the cost of business combination *(Note 7)*	–	–	140,616	*4*	140,616
Loss before tax	(396,357)	(92,416)			(362,535)
Tax	(7,351)	–			(7,351)
Loss for the year	(403,708)	(92,416)			(369,886)
Loss attributable to:					
Equity holders of the parent	(403,708)	(92,416)	147,788		(348,336)
Minority interests	–	–	(21,550)	*5*	(21,550)
	(403,708)	(92,416)			(369,886)

Notes:

(1) The audited consolidated income statement of the Group for the year ended 31 March 2008 was extracted from the published annual report of the Group for the year ended 31 March 2008.

(2) The audited consolidated income statement of the Hennabun Group for the year ended 31 December 2007 was extracted from the accountant's report on the Hennabun Group, which is set out in Appendix II to the Circular.

(3) The adjustments represent the elimination of interest income of HK$2,373,000 earned from the loans granted to the Hennabun Group during the year ended 31 March 2008.

(4) Had the Hennabun Shares Acquisition been completed on 1 April 2007, the estimated excess over the cost of business combination shall be calculated as follows:

	HK$'000
Estimated net fair value of the identifiable assets and liabilities of the Hennabun Group	310,113
Less: 20.54% share attributable to minority interests of the Enlarged Group	(63,697)
Adjusted net assets attributable to the Group	246,416
Less: Purchase consideration	(105,800)
Estimated excess over the cost of business combination	140,616

(5) The adjustment represents minority interest's share of the loss of the Hennabun Group as adjusted for the interest expense on the Hennabun Convertible Note for the year ended 31 December 2007 calculated as follows:

	HK$'000
Loss of the Hennabun Group for the year ended 31 December 2007	(92,416)
Add: Interest expense on the Hennabun Convertible Note based on its coupon rate of 5% as if the Hennabun Convertible Note Subscription had been completed on 1 April 2007	(12,500)
Adjusted loss of the Hennabun Group	(104,916)
20.54% share of loss attributable to the minority interests of Hennabun	(21,550)

(6) The adjustment represents the imputed interest expense of HK$14,378,000 for the year ended 31 March 2008 on the FCL Convertible Note, assuming an effective interest rate of 27.6% per annum, as if the Hennabun Shares Acquisition had been completed on 1 April 2007. This unaudited pro forma adjustment will have continuing income statement effect to the Enlarged Group, and the actual amount will vary according to the timing of the whole or any part of the FCL Convertible Note being converted or redeemed and the applicable effective rate.

(7) Subsequent to 31 March 2008, the Hennabun Group effected the Hennabun Disposals which have not been taken into account of in the above unaudited pro forma consolidated income statement. Had the Hennabun Disposals been completed on 1 April 2007, (i) a gain of approximately HK$5,000 would be resulted from the Hennabun Disposals; and (ii) the estimated excess over the cost of business combination arising from the Hennabun Shares Acquisition would be adjusted from HK$140,616,000 to HK$105,201,000.

Please refer to note 6 to the unaudited pro forma consolidated balance sheet of the Enlarged Group under scenario (3) for details.

(8) No adjustments have been made to reflect any trading results or other transactions of the Group and the Hennabun Group entered into subsequent to 31 March 2008.

(3) Unaudited pro forma consolidated cash flow statement of the Enlarged Group

The following is an illustrative and unaudited pro forma consolidated cash flow statement of the Enlarged Group which is prepared based on the audited consolidated cash flow statement of the Group for the year ended 31 March 2008 and the audited consolidated cash flow statement of the Hennabun Group for the year ended 31 December 2007, after giving effect to the pro forma adjustments as explained in the notes below, for the purpose of illustrating the effect of the Hennabun Shares Acquisition and the Hennabun Convertible Note Subscription under scenario (3) on the cash flows of the Enlarged Group as if the Hennabun Shares Acquisition and the Hennabun Convertible Note Subscription under scenario (3) had taken place on 1 April 2007, assuming that there is no conversion or redemption of the FCL Convertible Note and the Hennabun Convertible Note.

This illustrative pro forma consolidated cash flow statement has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the cash flows of the Enlarged Group for the year ended 31 March 2008 or any future periods had the Hennabun Shares Acquisition and the Hennabun Convertible Note Subscription under scenario (3) been completed on 1 April 2007 or at any future dates.

Unaudited pro forma consolidated cash flow statement of the Enlarged Group
(In HK$'000)

	The Group for the year ended 31 March 2008 *(Note 1)*	Hennabun Group for the year ended 31 December 2007 *(Note 2)*	Pro forma adjustments	*Notes*	Unaudited Pro Forma Enlarged Group
CASH FLOW FROM OPERATING ACTIVITIES					
Loss before tax	(396,357)	(92,416)	126,238	*3, 4, 5*	(362,535)
Adjustments for:					
Finance costs	6,059	17,762	12,005	*3, 4*	35,826
Interest income	(29,569)	–	2,373	*3*	(27,196)
Depreciation	1,872	5,872			7,744
Recognition of prepaid land premium	247	–			247
Foreign exchange difference arising from available-for-sale investment	126	–			126
Fair value losses on investments at fair value through profit or loss, net	456,450	73,299			529,749
Loss on disposal/write-off of items of property, plant and equipment	30	58			88
Loss on revaluation upon reclassification of an owner-occupied property to an investment property	43	–			43
Loss/(gain) on disposal of subsidiaries	212	(1,765)			(1,553)
Loss on redemption of convertible notes	287	–			287
Allowance for bad and doubtful debts and bad debts written off	–	40,950			40,950
Provision for loss on misappropriation of clients' securities	–	2,500			2,500
Provision for penalty imposed by the Securities and Futures Commission	–	1,500			1,500
Gains arising from changes in fair value of investment properties, net	(16,130)	–			(16,130)
Gain on settlement of other borrowings	(14,545)	–			(14,545)
Impairment of goodwill	12,129	–			12,129
Impairment of other receivables	1,310	–			1,310
Equity-settled share option expenses	11,210	–			11,210
Excess over the cost of business combination	–	–	(140,616)	*5*	(140,616)
	33,374	47,760			81,134

	The Group for the year ended 31 March 2008 *(Note 1)*	Hennabun Group for the year ended 31 December 2007 *(Note 2)*	Pro forma adjustments	*Notes*	Unaudited Pro Forma Enlarged Group
Decrease/(increase) in loans, trade and other receivables	41,078	(564,980)	20,000	*6*	(503,902)
Decrease/(increase) in prepayments, deposits and other receivables	20,509	–			20,509
Increase in investments at fair value through profit or loss	(670,235)	–			(670,235)
Decrease in trade and other payables and accruals	(1,515)	143,546			142,031
Due to a director	–	20,982			20,982
Cash used in operations	(576,789)	(352,692)			(909,481)
Interest received	29,569	–			29,569
Interest paid	(3,257)	(19,810)			(23,067)
Net cash outflow from operating activities	(550,477)	(372,502)			(902,979)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of items of property, plant and equipment	(23,437)	(100,254)			(123,691)
Proceeds from disposal of items of property, plant and equipment	410	300			710
Deposits for acquisition of items of property, plant and equipment	–	(39,030)			(39,030)
Purchases of investment properties	(47,553)	–			(47,553)
Additions to prepaid land premium	(38,711)	–			(38,711)
Net purchases of investments at fair value through profit or loss	–	(156,854)			(156,854)
Cash contribution to Central Clearing and Settlement System Guarantee Fund	–	(40)			(40)
Proceeds from disposal of an associate	50,000	–			50,000
Disposal of subsidiaries	5,994	87,987			93,981
Purchase of available-for-sale investment	(19,586)	–			(19,586)
Net cash outflow from investing activities	(72,883)	(207,891)			(280,774)

	The Group for the year ended 31 March 2008 *(Note 1)*	Hennabun Group for the year ended 31 December 2007 *(Note 2)*	Pro forma adjustments	*Notes*	Unaudited Pro Forma Enlarged Group
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from placement of new shares and/or rights issue	515,051	17,000			532,051
Proceeds from issue of convertible notes	243,406	–			243,406
Proceeds from exercise of share options	35,046	–			35,046
Share issue expenses	(12,503)	–			(12,503)
Drawdown of bank and other borrowings	62,287	548,550	(20,000)	*6*	590,837
Repayment of bank and other borrowings	(8,904)	(519,050)			(527,954)
Advance from a related company	–	682,557			682,557
Redemption of convertible notes	(5,000)	–			(5,000)
Net cash inflow from financing activities	829,383	729,057			1,538,440
NET INCREASE IN CASH AND CASH EQUIVALENTS	206,023	148,664			354,687
Cash and cash equivalents at beginning of year	72,626	22,097			94,723
CASH AND CASH EQUIVALENTS AT END OF YEAR	278,649	170,761			449,410
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS					
Cash and bank balances	278,649	175,947			454,596
Pledged bank deposits	–	3,000			3,000
Bank overdrafts	–	(8,186)			(8,186)
	278,649	170,761			449,410

Notes:

(1) The audited consolidated cash flow statement of the Group for the year ended 31 March 2008 was extracted from the published annual report of the Group for the year ended 31 March 2008.

(2) The audited consolidated cash flow statement of the Hennabun Group for the year ended 31 December 2007 was extracted from the accountant's report on the Hennabun Group, which is set out in Appendix II to the Circular.

(3) The adjustment represents elimination of interest income of HK$2,373,000 earned from the loans granted to the Hennabun Group during the year ended 31 March 2008.

(4) The adjustment represents the imputed interest expense of HK$14,378,000 for the year ended 31 March 2008 on the FCL Convertible Note, assuming an effective interest rate of 27.6% per annum, as if the Hennabun Shares Acquisition had been completed on 1 April 2007.

This unaudited pro forma adjustment will have continuing cash flow statement effect to the Enlarged Group, and the actual amount will vary according to the timing of the whole or any part of the FCL Convertible Note being converted or redeemed and the applicable effective rate.

(5) The adjustment represents the estimated excess over the cost of business combination arising from the Hennabun Shares Acquisition had the Hennabun Shares Acquisition been completed on 1 April 2007.

(6) The adjustment represents elimination of the Group's loan receivable balance of HK$20,000,000 granted to the Hennabun Group during the year ended 31 March 2008.

(7) No adjustments have been made to reflect any trading results or other transactions of the Group and the Hennabun Group entered into subsequent to 31 March 2008.

E. MANAGEMENT DISCUSSION AND ANALYSIS

1. Management Discussion and Analysis of the Group

Set out below is the management discussion and analysis of the operating results and business review extracted from the respective annual reports of the Company for each of the years ended 31 March 2006, 2007 and 2008. Certain of the figures have been restated and/or adjusted to conform with the current period segmental presentation.

For the year ended 31 March 2006

Business review and prospect

Business review

The Group was principally engaged in the trading of securities, provision of finance, trading of goods, property holding and investment holding during the year. The turnover of the Group for the year comprised mainly revenues from the trading of securities, interest income from the provision of finance and trading business revenue.

Trading of securities

During the year, the Group strengthened its business in securities investment and trading. Revenue from the sales of securities was amounted to approximately HK$48 million (2005: approximately HK$1,000). The segment recorded a loss of approximately HK$2.6 million (2005: approximately HK$75,000) after taking into account of the changes in fair value of the listed securities held at year end.

Provision of finance

Turnover of the financing business was approximately HK$26.4 million (2005: approximately HK$32.2 million) and the profit of the business was approximately HK$151,000 (2005: approximately HK$30 million). The decrease in the segmental profit was mainly due to the impairment loss of approximately HK$26.2 million (2005: approximately HK$Nil) incurred in the year in relation to certain loans receivable.

Trading of goods

During the year, the turnover of the Group's trading business deceased to approximately HK$23.4 million from last year's figure of approximately HK$40 million as the result of the decrease in trading activities of the Group. The trading business recorded a loss of approximately HK$104 million (2005: profit of approximately HK$358,000) principally due to the impairment loss of approximately HK$103.2 million on the trade and other receivables.

Property holding

The property segment of the Group recorded a loss of approximately HK$2.9 million (2005: approximately HK$133,000) mainly because of the decrease in fair value of the investment properties located in China recognized in the Group's income statement which amounted to approximately HK$2.7 million. In view of the improving local property market, the Group placed more resources and emphasis on Hong Kong property investment opportunities.

Investment holding

The listed securities component of the Group's available-for-sale investments performed satisfactorily in the year. The market value of the listed securities component of the available-for-sale investments as at 31 March 2006 was approximately HK$60 million. On the other hand, in relation to unlisted equity securities, there was an impairment loss of approximately HK$34.1 million recognized in the year in relation to the Group's investment in Xian Yizhiliu Pharmaceutical Co., Ltd.

Prospects

The Group was constantly reviewing its existing businesses and possible new business opportunities. The Company decided that it was most likely that investment into the financial services industry would become more promising than that of in the trading sector. The Group was endeavouring to further develop the businesses of provision of finance, trading of securities, property investment and investment activities. The name of the Company was changed from Inner Mongolia Development (Holdings) Limited to Freeman Corporation Limited to reflect the dynamics business nature of the Group as well as the management's determination and its genuine wish to enhance the fruitful result for the benefit of the Shareholders.

Financial review

Turnover

For the year ended 31 March 2006, the Group recorded a turnover of approximately HK$97.8 million, a growth of approximately 35.3% compared to the year ended 31 March 2005. The increase was mainly attributable to the increase in the sales of securities.

Gross profit

The gross loss was approximately HK$159.7 million, representing a decrease of approximately 1,079% as compared to the figure of year 2005. The decrease was mainly attributable to impairment loss recognized in respect of trade and loan receivable.

Administrative expenses

Administrative expenses increased from year 2005's figure of approximately HK$12.5 million to approximately HK$15.6 million.

Capital structure

As at 31 March 2006, the Group had other borrowings of approximately HK$12 million (2005: Nil), bank overdraft of approximately HK$762,000 (2005: Nil) and margin financing payable of approximately HK$2.9 million (2005: Nil). The other borrowings, bank overdraft and margin financing payable of the Group carried floating interest rates calculated by reference to the Hong Kong dollar prime rate and were made in Hong Kong dollar. Thus there was no exposure to fluctuations in exchange rates in relation to the borrowings.

Gearing ratio

Gearing ratio calculated on the basis of the Group's total borrowing over Shareholders' funds was approximately 3.13% at 31 March 2006 (2005: approximately Nil).

Liquidity and financial resources

As at 31 March 2006, the net current assets of the Group amounted to approximately HK$316.5 million (2005: approximately HK$242.8 million) and the current ratio (current assets/current liabilities) was 16.2. The bank balances and cash were approximately HK$30.4 million (2005: approximately HK$3.74 million).

Charge of assets

As at 31 March 2006, investments held for trading of approximately HK$25.9 million (2005: Nil) were pledged to a financial institution to secure margin financing provided to the Group.

Capital commitment

The capital commitment of the Group as at 31 March 2006 was approximately HK$6.1 million (2005: Nil).

Foreign exchange exposure and hedging policy

The Group's foreign currency transactions were mostly denominated in Renminbi. As the exchange rate of Hong Kong dollars to Renminbi was stable, the Directors were of the view that the Group's exposure to exchange rate risk was not material.

Contingent liabilities

The Group had no material contingent liabilities as at 31 March 2006.

Dividend

No dividend was paid by the Company during the year. The Directors did not recommend the payment of a final dividend for the year.

Human resources

As at 31 March 2006, the total number of employees of the Group was 24. Staff costs, including Directors' emoluments for the year were approximately HK$6.2 million. The Company adopted a share option scheme on 23 August 2002 for the Directors and the employees. The Group operated a defined contribution Mandatory Provident Fund retirement benefits scheme under the Mandatory Provident Fund Schemes Ordinance for its employees.

For the year ended 31 March 2007

Business Review and Prospect

Business Review

The Group was principally engaged in the trading of securities, provision of finance, insurance, property holding and investment holding during the year. The turnover of the Group for the year comprised mainly revenues from the trading of securities, interest income from the provision of finance, interest income from investment and insurance agency brokerage income.

Trading of securities

The trading of securities remained as a significant part of the Group's business. Revenue from the sales of securities for the year ended 31 March 2007 amounted to approximately HK$21.5 million (2006: approximately HK$16.7 million). The segment recorded a loss of approximately HK$27.5 million (2006: approximately HK$2.7 million) after taking into account of the changes in fair value of the listed securities held at year end.

Provision of finance

Turnover of the financing business was approximately HK$26.4 million (2006: approximately HK$26.4 million). The business recorded a loss of approximately HK$41 million (2006: profit of approximately HK$151,000) in the year ended 31 March 2007 mainly due to the impairment loss of approximately HK$67.5 million incurred in the year in relation to loans receivable.

Insurance

After the acquisition of Cinergy Holdings Limited, the Group commenced its participation in the insurance and brokerage business in the year. The next goal of the Group was to establish a life insurance company to conduct long term business in Hong Kong. The insurance brokerage business recorded a turnover of approximately HK$2 million and a segmental loss of approximately HK$4 million in the year.

Property holding

During the year, the Group increased its investment in commercial properties. The total rental income generated from the property holding and investment business for the year amounted to approximately HK$1.2 million (2006: Nil) and the segment recorded a profit of approximately HK$1.8 million (2006: Nil). In view of the improving property market, the Group was continually looking for property investment opportunities and acquired certain other high quality commercial properties after the year end.

Investment holding

During the year, the Group acquired further interest in the financial services group, Hennabun Group (formerly known as Hennabun Management International Limited), which subsequently became an associate of the Group after the completion of the approval procedures by the regulatory bodies. Hennabun Group, through its subsidiaries, was engaged in investment holding, provision of financial services including securities brokerage, commodity trading, money lending, margin financing and corporate finance advisory as well as proprietary trading and direct investment. Because of the non-performing results of the investment, the Group was recently disposed of its entire interest in Hennabun Group and the disposal was completed in July 2007.

Prospects

The Group had set its goal towards the establishment of a well managed financial services conglomerate which included insurance and related businesses. The Group would use its best endeavour to expand its present insurance business and subject to the regulatory requirements and approvals, to set up a life insurance company authorised to conduct long term business in Hong Kong. The Group was in the process of applying to the regulatory authority for approval to carry out long term life insurance business in Hong Kong. The Company was optimistic that participation in the insurance industry would provide a high potential of growth in the Group's revenue in the long run and lead to enhancement in the value of the Company to the Shareholders.

In the past year, the Company completed several fund raising activities and substantially increased its capital base. The management was of the view that the Group was then well-positioned to expand our insurance business with the aim to become one of the major life insurers in the Hong Kong.

Financial review

Turnover

The turnover of the Group for the year was approximately HK$21.5 million which represented an increase of approximately 28.7% as compared to that of approximately HK$16.7 million in last year.

Gross profit

The gross profit was approximately HK$18.7 million, representing an increase of approximately 12.3% as compared to last year's figure.

Administrative expenses

General and administrative expenses increased from last year's figure of approximately HK$13.6 million to approximately HK$29.4 million in this year.

Capital structure

As at 31 March 2007, the Group secured bank loans of approximately HK$43 million (2006: Nil), unsecured other borrowings of approximately HK$19.5 million (2006: approximately HK$12 million), nil balance of bank overdraft (2006: approximately HK$762,000) and nil balance of margin financing payable (2006: approximately HK$2.9 million). Approximately HK$41.1 million of the secured bank loans were repayable after one year whilst approximately HK$2 million of the secured bank loans and the unsecured other borrowings were repayable within one year.

Material acquisitions and disposal

During the year, the Group disposed of 55% interest in Mega Victory Limited, a previous subsidiary of the Company which owned the trading arm of the Group. Following the disposal, the Group ceased the trading of goods business but still retained a 45% interest in Mega Victory Limited.

Gearing ratio

Gearing ratio calculated on the basis of the Group's total borrowing over Shareholders' funds was approximately 10.62% (2006: approximately 3.13%) as at 31 March 2007.

Liquidity and financial resources

As at 31 March 2007, the net current assets of the Group amounted to approximately HK$496 million (2006: approximately HK$317 million) and the current ratio (current assets/current liabilities) was 17.4 (2006: 16.2). The bank and cash balances were approximately HK$72.6 million (2006: approximately HK$30.4 million).

Charge of assets

As at 31 March 2007, leasehold land and building with total carrying amount of approximately HK$5.2 million was pledged to secure a bank loan granted to the Group, investment properties situated in Hong Kong with an aggregate carrying value of approximately HK$62.5 million were pledged to secure general banking facilities granted to the Group and investments held for trading of approximately HK$132 million were pledged to a financial institution to secure margin financing facilities provided to the Group.

Capital commitment

The capital commitment of the Group as at 31 March 2007 was approximately HK$6.6 million (2006: approximately HK$6.1 million).

Foreign exchange exposure and hedging policy

The bank loans and other borrowings of the Group carried floating interest rates calculated by reference to the Hong Kong dollar prime rate and were made in Hong Kong dollar. Thus there was no exposure to fluctuations in exchange rates in relation to the borrowings.

Contingent liabilities

There were guarantees given to banks in connection with facilities granted to subsidiaries in an amount of HK$53.2 million (2006: Nil). As at 31 March 2007, the banking facilities granted to certain subsidiaries subject to guarantees given to the banks by the Company were utilized to the extent of approximately HK$43 million (2006: approximately HK$75 million).

Dividend

The Directors did not recommend the payment of a final dividend for the year ended 31 March 2007.

Human resources

As at 31 March 2007, the Group employed about 35 staff members including Directors. Staff costs incurred for the year, including Directors' remuneration, were approximately HK$10.6 million (2006: approximately HK$6.2 million).

It was the remuneration policy of the Group to reward its employees with reference to their qualifications, experience and work performance as well as to market benchmarks. Remuneration packages, included granting of share options, were structured to motivate individual performance and contributions to the Group.

The Company adopted a share option scheme on 23 August 2002 for the Directors and the employees. The Group operated a defined contribution Mandatory Provident Fund retirement benefits scheme under the Mandatory Provident Fund Schemes Ordinance for its employees.

For the year ended 31 March 2008

Business Review and Prospect

Business Review

The Group was principally engaged in the trading of securities, provision of finance, property holding and investment, insurance agency and brokerage business, and investment holding during the year. The turnover of the Group for the year comprised mainly interest income earned from provision of finance; interest income and dividend income from equity investments; gains/(losses) from the sale of investments at fair value through profit or loss; insurance agency and brokerage income; and gross rental income received and receivable from investment properties.

Trading of securities

The trading of securities remained as a significant part of the Group's business. Net gains from the securities trading business for the year amounted to approximately HK$59 million (2007: net loss of approximately HK$11.8 million). The segment recorded a loss of approximately HK$396.9 million (2007: approximately HK$27.5 million) after taking into account of the changes in fair value of the listed securities held at year end.

Provision of finance

Turnover of the financing business was approximately HK$17.5 million (2007: approximately HK$26.4 million). The business recorded a profit of approximately HK$17.4 million (2007: loss of HK$41.1 million).

Property holding and investment

During the year, the Group expanded its investment in commercial properties. The total rental income generated from the property holding and investment business for the year amounted to approximately HK$2.6 million (2007: approximately HK$1.2 million) and the segment recorded a profit of approximately HK$7.7 million (2007: approximately HK$1.8 million) in the year after taking into account of the net gains arising from changes in fair value of the investment properties.

Insurance

During the year, the insurance agency and brokerage business recorded a turnover of approximately HK$6.2 million (2007: approximately HK$2.1 million) and a segmental loss of approximately HK$5.9 million (2007: approximately HK$4.1 million) in the year.

Prospects

Followed by the acquisition of the insurance agency and brokerage business and several fund raising activities, 2008 was expected to be a critical year to the Company in relation to the long term insurance license application. The Company took a significant step in the application for the insurance authorization since it submitted an application together with the initial business proposal to the regulatory authority during the year. The Company managed to recruit a core working team comprising some very experienced and knowledgeable executives to take charge of the implementation of the insurance policies and strategies and it would continue to nurture its best effort to meet with international standards for the establishment of a life insurance company.

In terms of business under the Company's insurance agency and brokerage arm, the Company was looking for number of target insurers with specialized investment link products for expansion of our product lines. The Company continued to identify and establish the most suitable and effective channels for distribution among the sales force in bid to provide a high potential growth of business of the Company in the long run.

Financial review

Turnover

The turnover of the Group for the year was approximately HK$85.3 million which represented an increase of approximately 298% as compared to that of approximately HK$21.5 million in last year.

Gross profit

The gross profit was approximately HK$77.5 million (2007 approximately HK$18.7 million), representing an increase of approximately 314% as compared to last year's figure.

Administrative expenses

General and administrative expenses increased from last year's figure of approximately HK$29.4 million to approximately HK$40.8 million in this year being in line with the increase in operating activities of the Group.

Capital structure

As at 31 March 2008, the Group secured bank loans of approximately HK$97.8 million (2007: approximately HK$43.1 million) and had no unsecured other borrowings. Approximately HK$92.5 million of the secured bank loans (2007: approximately HK$41.1 million) were repayable after one year whilst approximately HK$5.2 million of the secured bank loans and the unsecured other borrowings (2007: approximately HK$21.5 million) were repayable within one year. The liability component of the convertible notes was approximately HK$31.9 million (2007: Nil).

Material disposals

On 9 July 2007, the Company disposed of its entire interest in Equity Spin, the then wholly-owned subsidiary of the Company owning approximately 48.96% of Hennabun, and assigned all of its interest in a shareholder's loan in the amount of approximately HK$161.3 million for an aggregate cash consideration of HK$50 million. On 7 September 2007, the Group disposed of its entire interest in the then subsidiary, Startech Business Limited, at a consideration of approximately HK$6 million.

Save as aforesaid, the Group did not make any material acquisition or disposal of subsidiary or associate during the year.

Gearing ratio

Gearing ratio calculated on the basis of the Group's interest-bearing bank and other borrowings divided by the adjusted capital, being the liability component of the convertible notes and equity attributable to equity holders of the Company was approximately 10.0% at 31 March 2008.

Liquidity and financial resources

As at 31 March 2008, the net current assets of the Group amounted to approximately HK$867.8 million (2007: approximately HK$496 million) and the current ratio (current assets/current liabilities) was 55.6 (2007: 17.4). The cash and bank balances were approximately HK$278.6 million (2007: approximately HK$72.6 million).

Charge of assets

As at 31 March 2008, leasehold land and buildings with total carrying amount of approximately HK$71.5 million (2007: approximately HK$5.2 million) and investment properties situated in Hong Kong with an aggregate carrying value of approximately HK$100.8 million (2007: approximately HK$62.5 million) were pledged to secure general banking facilities granted to the Group. Investments held for trading of approximately HK$345.8 million (2007: approximately HK$132 million) were pledged to a financial institution to secure margin financing facilities provided to the Group.

Capital commitment

The Group had no material capital commitment as at 31 March 2008.

Foreign exchange exposure and hedging policy

During the year, since the amount of the Group's foreign currency transactions was not material, the Directors were of the view that the Group's exposure to exchange rate risk is not material.

Contingent liabilities

There were guarantees given to banks in connection with facilities granted to subsidiaries in an amount of HK$101.2 million (2007: HK$53.2 million). As at 31 March 2008, the banking facilities granted to certain subsidiaries subject to guarantees given to the banks by the Company were utilized to the extent of approximately HK$97.8 million (2007: approximately HK$43.1 million).

Dividend

The Directors did not recommend the payment of a final dividend for the year ended 31 March 2008.

Human resources

As at 31 March 2008, the Group employed about 36 staff members including directors of the Company. Staff costs incurred for the year, including Directors' remuneration, were approximately HK$23.1 million (2007: approximately HK$10.6 million). It was the remuneration policy of the Group to reward its employees with reference to their qualifications, experience and work performance as well as to market benchmarks. Remuneration packages, included granting of share options, were structured to motivate individual performance and contributions to the Group. The Company adopted a share option scheme on 23 August 2002 for the Directors and the employees. The Group operated a defined contribution Mandatory Provident Fund retirement benefits scheme under the Mandatory Provident Fund Schemes Ordinance for its employees.

For the six months ended 30 September 2008

Operations review

For the period under review, the Group was principally engaged in the trading of securities, provision of finance, property holding, insurance business and investment holding.

During the period, the Group had reduced its business in securities trading in view of the recent downturn of the equity market. Revenue of trading of securities and its related income for the period was a negative balance of approximately HK$15.9 million (2007: positive balance of approximately HK$72 million). The segment had recorded a loss of approximately HK$325.1 million after taking into account of the changes in fair values of listed securities held for trading (2007: approximately HK$137.2 million).

Turnover of the provision of finance business for the period was amounted to approximately HK$7.2 million (2007: approximately HK$7.3 million). The business recorded a profit of approximately HK$2.6 million in this period (2007: approximately HK$7.4 million).

In view of the adverse economic environment affecting the local property market, the Group had decreased its investment in properties in the period. As at 30 September 2008, the aggregate carrying amount of the investment properties was approximately HK$92.6 million compared with that of approximately HK$101.6 million as at 31 March 2008.

The insurance agency and brokerage business of the Group recorded a turnover and a loss of approximately HK$2.1 million and approximately HK$3.7 million in the period respectively. Due to the financial turmoil, the Company has exercised cautions not to over expand in the long term life insurance business in Hong Kong.

Financial review

Liquidity, Financial Resources and Capital Structure

As at 30 September 2008, net current assets of the Group amounted to approximately HK$950.4 million (31 March 2008: approximately HK$867.8 million) with cash and bank balances of approximately HK$350.2 million (31 March 2008: approximately HK$278.6 million).

As at 30 September 2008, the Group had secured bank loans of approximately HK$94.9 million (31 March 2008: approximately HK$97.8 million). Gearing ratio calculated on the basis of the Group's total borrowings over Shareholders' funds was 8.99% (31 March 2008: 10.37%) at the balance sheet date. The secured bank loans of the Group were carried floating interest rates calculated by reference to the Hong Kong dollar prime rate and made in Hong Kong dollars. There was no exposure to fluctuations in exchange rates in relation to the borrowings.

The capital commitments of the Group at period end were approximately HK$24.1 million (31 March 2008: nil). In light of the amount of liquid assets in hand and banking facilities available, the Directors were of the view that the Group had sufficient financial resources to meet its ongoing operational requirements. The Group's assets portfolio was mainly financed by its Shareholders' funds.

As at 30 September 2008, the Group had Shareholders' funds of approximately HK$1,055.6 million (31 March 2008: approximately HK$943.3 million). During the period, the Company had completed rights issue of 4,072,156,235 shares (not being taken into account of the Capital Reorganization). The capital base of the Company had been much improved after the said financing exercises.

Foreign Currency Management

During the period, since the amount of the Group's foreign currency transactions was not material, the Directors were of the view that the Group's exposure to exchange rate risk was not material.

Pledge of Assets

As at 30 September 2008, (i) investments held for trading of approximately HK$353.3 million were pledged to a financial institution to secure margin financing facilities provided to the Group; (ii) prepaid land premium and buildings of approximately HK$51.1 million and HK$19.9 million, respectively, were pledged to a bank to secure loan facilities granted to the Group; and (iii) investment properties with a total carrying amount of approximately HK$92.6 million were pledged to banks to secure loan facilities granted to the Group.

Contingent Liabilities

The Group had no material contingent liabilities at 30 September 2008.

Business prospects

The Group was still focused on the trading of securities, provision of finance, property holding and investment, insurance agency and brokerage business and investment holding during the period. However, due to financial turmoil, the year ahead is full of uncertainties, the economy will grow thanks to various economic stimulus packages offered by the governments, but in the face of high inflation, tight credit and uncertainties, the economy will grow sluggishly. The Board will proceed with caution for the remainder of the year.

Employees and remuneration policy

As 30 September 2008, the Group employed about 39 staff members including directors of the Company. Staff costs incurred for the period, including directors' remuneration, were approximately HK$7.9 million (2007: approximately HK$5.5 million). It was the remuneration policy of the Group to reward its employees with reference to their qualifications, experience and work performance as well as to market benchmarks. Remuneration packages, including the grant of share options, were structured to motivate individual performance and contributions to the Group.

2. Management discussion and analysis of the Hennabun Group

Management discussion and analysis of the Hennabun Group for the nine months ended 30 September 2008 and for each of the three years ended 31 December 2005, 2006 and 2007

Hennabun is an investment holding company incorporated in the BVI with limited liability. The Hennabun Group is engaged in provision of financial services including security brokerage, commodity trading, money lending, margin financing and corporate finance advisory as well as proprietary trading and direct investment. In order to streamline the business structure of the Hennabun Group, the Hennabun Group disposed of two wholly-owned subsidiaries, i.e. Hero City and Sky Vision in 2008, details of which are disclosed in the section headed "Information about the Hennabun Group" as set out in the Letter from the Board of the Circular. The directors of the Hennabun Group intend to develop its fund management business through internal resources. Meanwhile, the Hennabun Group would take into consideration of the market conditions and remain open to other suitable investments which is expected to add to the synergetic well being of the Hennabun Group should commercial opportunities arise.

Set out below is the management discussion and analysis of the operating results and business review for each of the three years ended 31 December 2007 and for the nine months ended 30 September 2008:–

For the year ended 31 December 2005

Business review

The Hennabun Group was principally engaged in provision of brokerage and financial services, proprietary trading and investment holding.

Brokerage and financial services

For the year ended 31 December 2005, turnover of the Hennabun Group amounted to approximately HK$33.6 million and was solely attributable to the provision of brokerage and financial services. The segment recorded a profit of approximately HK$31.8 million.

Proprietary trading

For the year ended 31 December 2005, turnover of the Hennabun Group's business segment in proprietary trading was nil and recorded a loss of approximately HK$7.1 million which was attributable to the realized loss on disposal of financial assets.

Investment holding

For the year ended 31 December 2005, turnover of the Hennabun Group's business segment in investment holding was nil and recorded a loss of approximately HK$205.0 million which was mainly attributable to a loss on disposal of interests in subsidiaries.

Financial review

For the year ended 31 December 2005, the Hennabun Group recorded a turnover of approximately HK$33.6 million. However, the Hennabun Group incurred net loss of approximately HK$222.6 million during the period which was mainly attributable to a loss on disposal of interests in subsidiaries amounted to approximately HK$195.5 million.

Capital structure and capital management

As at 31 December 2005, the total equity of the Hennabun Group was approximately HK$62.7 million and the Hennabun Group aimed to maintain its total equity at a reasonable level.

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

In order to maintain or adjust the capital structure, the Hennabun Group might adjust the amount of dividends paid to the shareholders, return capital to the shareholders, issue new shares or sell assets to reduce debt. No material change was made in the objectives, policies or processes during the year ended 31 December 2005.

Liquidity and financial resources

As at 31 December 2005, the Hennabun Group had total assets of approximately HK$440.7 million, total liabilities of approximately HK$378.0 million and net assets of approximately HK$62.7 million. The gearing ratio calculated on the basis of the Hennabun Group's total borrowings over total assets was approximately 0.86 as at 31 December 2005.

As at 31 December 2005, the Hennabun Group had bank balances and cash of approximately HK$71.6 million and the current ratio was approximately 1.41.

Interest bearing borrowings

As at 31 December 2005, the Hennabun Group had interest-bearing borrowings totaled approximately HK$146 million, of which approximately HK$36 million was secured bank loan that carried interest on prime rate minus 0.5% and approximately HK$110 million was other unsecured loans that carried interest ranging from prime rate plus 1% to 2% and 7.5% per annum.

Capital commitments

As at 31 December 2005, the Hennabun Group did not have any capital commitment.

Pledge of assets

As at 31 December 2005, the Hennabun Group had pledged bank deposits together with leasehold land and buildings amounted to approximately HK$83.2 million.

Contingencies

As at 31 December 2005, the Hennabun Group did not have any contingent liabilities.

Foreign exchange exposure

Since the Hennabun Group's sources of income and borrowing were denominated in Hong Kong dollars, the Hennabun Group was not exposed to foreign exchange rate fluctuations.

Material acquisitions and disposals

The Hennabun Group entered into acquisition of several companies whose major assets included investment property and loans and other receivables, at different times of the year ended 31 December 2005. The aggregate consideration in relation to the acquisition of subsidiaries during the year amounted to approximately HK$90.9 million. The acquired subsidiaries did not contribute any turnover or revenue to the Hennabun Group for the year between the relevant acquisition dates and 31 December 2005.

For the year ended 31 December 2005, the Hennabun Group disposed of its interests in certain subsidiaries whose major assets were loan receivables at a cash consideration of approximately HK$156.3 million.

Significant investment

As at 31 December 2005, the Hennabun Group did not hold any significant investment.

Employees and remuneration policies

As at 31 December 2005, the Hennabun Group employed 27 full time employees in Hong Kong and Singapore. The Hennabun Group's remuneration policies were primarily based on prevailing market salary levels and the performance of the respective companies and individuals concerned. The Hennabun Group also provided its employees with other benefits such as a mandatory provident fund and medical insurance scheme. As at 31 December 2005, the Hennabun Group did not operate any share option scheme.

For the year ended 31 December 2006

Business review

Brokerage and financial services

For the year ended 31 December 2006, turnover of the Hennabun Group from the provision of brokerage and financial services amounted to approximately HK$42.8 million. The segment recorded a profit of approximately HK$21.1 million from the provision of securities or futures broking and margin financing services and provision of corporate and personal financing services.

Proprietary trading

For the year ended 31 December 2006, turnover of the Hennabun Group's business segment in proprietary trading was HK$16,039 mainly contributed from the receipt of dividend income and recorded a profit of HK$980,952 which was mainly attributable to the realized gain on disposal of financial assets.

Investment holding

For the year ended 31 December 2006, turnover of the Hennabun Group's business segment in investment holding was nil and recorded a loss of HK$422,392 which was mainly attributable to the loss on disposal of interests in subsidiaries.

Financial review

For the year ended 31 December 2006, the Hennabun Group recorded turnover of approximately HK$42.8 million, representing a year-on-year growth rate of approximately 27.46%. This positive year-on-year growth rate was mainly attributable to the increase in commission and brokerage income for securities dealing, underwriting and placing commission, interest income from the money lending business and consultancy fee income. However, the Hennabun Group incurred net loss of approximately HK$99.6 million during the period, mainly attributable to significant amounts of allowance for doubtful debts were made (approximately HK$73.7 million).

Capital structure and capital management

As at 31 December 2006, the total equity of the Hennabun Group was approximately HK$13.0 million and the Hennabun Group aimed to maintain its total equity at a reasonable level.

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

In order to maintain or adjust the capital structure, the Hennabun Group might adjust the amount of dividends paid to the shareholders, return capital to the shareholders, issue new shares or sell assets to reduce debt. No material change was made in the objectives, policies or processes during the year ended 31 December 2006.

Liquidity and financial resources

As at 31 December 2006, the Hennabun Group had total assets of approximately HK$430.8 million, total liabilities of approximately HK$417.8 million and net assets of approximately HK$13 million. The gearing ratio calculated on the basis of the Hennabun Group's total borrowings over total assets was approximately 0.97 as at 31 December 2006.

As at 31 December 2006, the Hennabun Group had bank balances and cash of approximately HK$43.9 million and the current ratio was approximately 1.39.

Interest bearing borrowings

As at 31 December 2006, the Hennabun Group had interest-bearing borrowings totaled approximately HK$223.3 million, of which approximately HK$47.8 million was secured bank loan that carried interest on prime rate minus 2.8% and approximately HK$175.5 million was other unsecured loans that carried interest ranging from prime rate plus 1% to 2% and 7.5% to 12% per annum.

Capital commitments

As at 31 December 2006, the Hennabun Group did not have any capital commitment.

Pledge of assets

As at 31 December 2006, the Hennabun Group had pledged bank deposits together with leasehold land and buildings amounted to approximately HK$81.35 million.

Contingencies

As at 31 December 2006, the Hennabun Group did not have any contingent liabilities.

Foreign exchange exposure

Since the Hennabun Group's sources of income and borrowing were denominated in Hong Kong dollars, the Hennabun Group was not exposed to foreign exchange rate fluctuations.

Material acquisitions and disposals

The Hennabun Group did not enter into any acquisition and disposal of subsidiaries for the year ended 31 December 2006.

Significant investment

As at 31 December 2006, the Hennabun Group did not hold any significant investment.

Employees and remuneration policies

As at 31 December 2006, the Hennabun Group employed 32 full time employees in Hong Kong. The Hennabun Group's remuneration policies were primarily based on prevailing market salary levels and the performance of the respective companies and individuals concerned. The Hennabun Group also provided its employees with other benefits such as a mandatory provident fund and medical insurance scheme. As at 31 December 2006, the Hennabun Group did not operate any share option scheme.

For the year ended 31 December 2007

Business review

Brokerage and financial services

For the year ended 31 December 2007, turnover of the Hennabun Group from the provision of brokerage and financial services amounted to approximately HK$143.6 million and recorded a profit of approximately HK$108.9 million.

Proprietary trading

For the year ended 31 December 2007, turnover of the Hennabun Group's business segment in proprietary trading was HK$5 mainly contributed from the receipt of dividend income and recorded a loss of approximately HK$68.9 million which was attributable to both the realized loss on disposal of financial assets and the unrealized loss on financial assets.

Investment holding

For the year ended 31 December 2007, turnover of the Hennabun Group's business segment in investment holding was nil and recorded a profit of HK$216,168 which was attributable to the gain on disposal of interests in subsidiaries.

Financial review

For the year ended 31 December 2007, the Hennabun Group recorded turnover of approximately HK$143.6 million, representing a year-on-year growth rate of approximately 235.22%. This substantial year-on-year growth rate was mainly attributable to the increase in commission and brokerage income for securities dealing, underwriting and placing commission and interest income from the money lending business. However, the Hennabun Group incurred net loss of approximately HK$92.4 million during the period, which was mainly attributable to a significant amount of allowance for doubtful debts (approximately HK$40.0 million). In addition, the Hennabun Group had recognized an investment loss of approximately HK$55 million in relation to an investment project in self-provided cargo train in the PRC and unrealized holding loss on financial assets at fair value amounted to approximately HK$40.5 million had been recorded due to volatile market conditions during the year of 2007.

Capital structure and capital management

As at 31 December 2007, the total equity of the Hennabun Group was approximately HK$68.6 million and the Hennabun Group aimed to maintain its total equity at a reasonable level.

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

In order to maintain or adjust the capital structure, the Hennabun Group might adjust the amount of dividends paid to the shareholders, return capital to the shareholders, issue new shares or sell assets to reduce debt. No material change was made in the objectives, policies or processes during the year ended 31 December 2007.

Liquidity and financial resources

As at 31 December 2007, the Hennabun Group had total assets of approximately HK$1,217.8 million, total liabilities of approximately HK$1,149.2 million and net assets of approximately HK$68.6 million. The gearing ratio calculated on the basis of Hennabun Group's total borrowings over total assets was approximately 0.94 as at 31 December 2007.

As at 31 December 2007, the Hennabun Group had bank balances and cash of approximately HK$176 million and the current ratio was approximately 0.93.

Interest bearing borrowings

As at 31 December 2007, the Hennabun Group had unsecured interest-bearing borrowings amounted to approximately HK$205 million that carried interest ranging from prime rate to 12% per annum.

Capital commitments

As at 31 December 2007, the Hennabun Group had capital commitments of approximately HK$439.6 million in relation to the acquisition of aircraft and artworks.

Pledge of assets

As at 31 December 2007, the Hennabun Group had pledged bank deposits with a net book value of approximately HK$3 million to secure general banking facilities granted to the Group.

Contingencies

As at 31 December 2007, there was a claim against a wholly-owned subsidiary of Hennabun amounting to approximately HK$1 million.

Foreign exchange exposure

The Hennabun Group was exposed to foreign currency risk because of the capital commitment on the purchase of aircraft which was denominated in foreign currency. The Group did not have any policy to hedge this exposure. However, management of the Hennabun Group considered the Hennabun Group had limited exposure to foreign currency risk since the capital commitment on the purchase of aircraft was not significant.

Material acquisitions and disposals

The Hennabun Group did not enter into any acquisition of subsidiaries for the year ended 31 December 2007. However, during the period, the Hennabun Group disposed of its interests in certain subsidiaries whose major assets included an investment property at a cash consideration of approximately HK$88 million.

Significant investment

As at 31 December 2007, the Hennabun Group did not hold any significant investment.

Employees and remuneration policies

As at 31 December 2007, the Hennabun Group employed 36 full time employees in Hong Kong and Singapore. The Hennabun Group's remuneration policies were primarily based on prevailing market salary levels and the performance of the respective companies and individuals concerned. The Hennabun Group also provided its employees with other benefits such as a mandatory provident fund and medical insurance scheme. As at 31 December 2007, the Hennabun Group did not operate any share option scheme.

For the nine months ended 30 September 2008

Business review

Brokerage and financial services

For the nine months ended 30 September 2008, turnover of the Hennabun Group amounted to approximately HK$62.2 million and recorded a profit of approximately HK$37.2 million from the provision of securities or futures broking and margin financing services and provision of corporate and personal financing services.

Proprietary trading

For the nine months ended 30 September 2008, turnover of the Hennabun Group's business segment in proprietary trading was HK$4,501 and recorded a loss of approximately HK$146.0 million which was attributable to both the realized loss on disposal of financial assets and the unrealized loss on financial assets.

Investment holding

For the nine months ended 30 September 2008, turnover of the Hennabun Group's business segment in investment holding was nil and recorded a profit of approximately HK$25.6 million which was mainly attributable to the gain on disposal of interests in subsidiaries.

Financial review

For the nine months ended 30 September 2008, the Hennabun Group recorded a turnover of approximately HK$62.2 million, representing a decrease of approximately 42.34% than the relevant period. This was because the commission and brokerage income for securities dealing and underwriting and placing commission had experienced significant decrease during the period as a result of adverse conditions of the financial market. Furthermore, the Hennabun Group incurred net loss of approximately HK$101.5 million during the period mainly because of realized loss on disposal of financial assets which amounted to approximately HK$135.9 million.

Capital structure and capital management

As at 30 September 2008, the total equity of the Hennabun Group was approximately HK$310.1 million and the Hennabun Group aimed to maintain its total equity at a reasonable level.

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

In order to maintain or adjust the capital structure, the Hennabun Group might adjust the amount of dividends paid to the shareholders, return capital to the shareholders, issue new shares or sell assets to reduce debt. No material change was made in the objectives, policies or processes during the nine months ended 30 September 2008.

Liquidity and financial resources

As at 30 September 2008, the Hennabun Group had total assets of approximately HK$560.0 million, total liabilities of approximately HK$249.9 million and net assets of approximately HK$310.1 million. The gearing ratio calculated on the basis of the Hennabun Group's total borrowings over total assets was approximately 0.45 as at 30 September 2008.

As at 30 September 2008, the Hennabun Group had bank balances and cash of approximately HK$123.6 million and the current ratio was approximately 1.68.

Interest-bearing borrowings

As at 30 September 2008, the Hennabun Group had unsecured interest-bearing borrowings amounted to approximately HK$118 million that carried interest ranging from 4.5% per annum to prime rate plus 2%.

Capital commitments

As at 30 September 2008, the Hennabun Group had capital commitments of approximately HK$618.9 million including the purchases of aircraft and the relevant conversion work, the purchases of artworks and a PRC investment project.

Pledge of assets

As at 30 September 2008, the Hennabun Group had pledged bank deposits with a net book value of approximately HK$3 million to secure general banking facilities granted to the Group.

Contingencies

As at 30 September 2008, there was a claim against a wholly-owned subsidiary of Hennabun amounting HK$1 million. On 12 November 2008, the aforementioned amount was revised to HK$0.7 million and was paid subsequent to the balance sheet date of 30 September 2008.

Foreign exchange exposure

The Hennabun Group was exposed to foreign currency risk because of investments in subsidiaries operated outside Hong Kong and capital commitments on the purchase and relevant conversion work of aircraft, which were denominated in foreign currencies. The Group currently did not have any policy to hedge this exposure. However, the management of the Hennabun Group considered the Hennabun Group has limited exposure to foreign currency risk since the investments in subsidiaries are not significant and capital commitments on the acquisition and relevant conversion work of aircraft was subsequently disposed of on 10 October 2008.

Material acquisitions and disposals

The Hennabun Group did not enter into any acquisition of subsidiaries for the nine months ended 30 September 2008. However, during the period, the Hennabun Group disposed of its interests in a subsidiary whose major assets included a yacht and other receivables at a cash consideration of HK$94 million.

In addition, the Hennabun Group disposed of two wholly-owned subsidiaries, i.e. Hero City and Sky Vision subsequent to 30 September 2008, details of which are disclosed in the section headed "Information about the Hennabun Group" as set out in the Letter from the Board of the Circular.

Significant investments

During the nine months ended 30 September 2008, Hero City, a wholly-owned subsidiary of the Hennabun Group, entered into an agreement with a third party in respect of a PRC investment project at a consideration of approximately HK$140.6 million and had paid a deposit of approximately HK$31.2 million. Subsequent to 30 September 2008, Hero City was disposed of at a consideration equivalent to its net asset value on the disposal date.

In addition, the Hennabun Group had acquired a collection of artworks in an attempt to consolidate a valuable collection of saleable artwork with an objective of deriving a profit in the future. As at 30 September 2008, the Hennabun Group's aggregate carrying value in respect of its investments in artworks amounted to approximately HK$74.3 million and such investments were held as long term investments and were expected to have a potential price appreciation in the future.

Employees and remuneration policies

As at 30 September 2008, the Hennabun Group employed 39 full time employees in Hong Kong and Singapore. Hennabun Group's remuneration policies were primarily based on prevailing the market salary levels and the performance of the respective companies and individuals concerned. The Hennabun Group also provided its employees with other benefits such as a mandatory provident fund and medical insurance scheme. As at 30 September 2008, the Hennabun Group did not operate any share option scheme.

3. Statement of indebtedness

At the close of business on 30 November 2008 (being the latest practicable date for ascertaining information regarding this indebtedness statement), the Enlarged Group had outstanding borrowings of approximately HK$330,555,000, comprising (i) secured bank borrowings of approximately HK$113,943,000; (ii) unsecured bank overdraft of approximately HK$1,000; and (iii) unsecured interest-bearing borrowings from third parties of approximately HK$216,611,000. The Enlarged Group's borrowings and banking facilities were secured by (i) the fixed charges over certain leasehold land and buildings and investment properties held by the Enlarged Group with aggregate net book values of approximately HK$160,783,000; (ii) certain investments at fair value through profit or loss of approximately HK$26,678,000; (iii) personal guarantee given by a director of Hennabun of HK$30,000,000; and (iv) bank deposits of HK$3,000,000 as at 30 November 2008.

Saved as aforesaid, and apart from intra-group liabilities, the Enlarged Group did not have any bank loans, bank overdrafts and liabilities under acceptances or other similar indebtedness, debentures or other loan capital, mortgages, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities outstanding at the close of business on 30 November 2008.

For the purpose of the above indebtedness statement, foreign currency amounts have been translated into Hong Kong dollars at the rates of the exchange prevailing at the close of business on 30 November 2008.

4. Working capital

The Company and its subsidiaries are principally engaged in the insurance business, provision of finance, trading of securities, property holding and investment. The Hennabun Group is engaged in provision of financial services including security brokerage, commodity trading, money lending, margin financing and corporate finance advisory as well as proprietary trading and direct investment. After completion of the Hennabun Shares Acquisition and/or the Hennabun Convertible Note Subscription, the Enlarged Group would continue to engage in the businesses as currently carried out by the Group and the Hennabun Group respectively. The Directors consider that such businesses rely heavily on the performance of the securities and property markets as well as the main-street economy. In view of the recent downturn of various investment markets and the unclear economic outlook, it is extremely difficult for the Directors to forecast the financial performance of the Enlarged Group and thus impracticable to prepare a relatively accurate consolidated income statement and balance sheet to support the working capital forecast of the Enlarged Group for the 12-month period from the date of the Circular.

Notwithstanding the aforesaid and up to the Latest Practicable Date, the Directors are of the view that the Enlarged Group will have sufficient working capital for the 12-month period from the date of the Circular due to the following reasons:

(a) as disclosed in the "Unaudited pro forma financial information of the Enlarged Group" as set out in the Appendix III to the Circular which illustrates the pro forma financial information of the Enlarged Group under scenarios (i) upon completion of the Hennabun Share Acquisition and the Hennabun Convertible Note Subscription; (ii) upon completion of the Hennabun Share Acquisition only; (iii) upon completion of the Hennabun Convertible Note Subscription only, the net current assets of the Enlarged Group as at 30 September 2008 in scenarios (i) and (ii) amounted to approximately HK$1,063.6 million (or approximately HK$700.4 million in scenario (iii)) which includes cash and bank balances of approximately HK$473.8 million (or approximately HK$100.2 million in scenario (iii)) and investments at fair value of approximately HK$398.8 million (or approximately HK$353.3 million in scenario (iii)) which could be promptly disposed of at the discretion of the Directors to provide sufficient working capital for the Enlarged Group if and when considered necessary;

(b) based on the satisfactory repayment records of the debtors of the Enlarged Group, the Directors expect that all loans will be duly repaid by the debtors upon maturity;

(c) there is no indication that the available financing, including banking facilities, granted to the Enlarged Group will be withdrawn by the counterparties in the near future; and

(d) the Company has announced a rights issue on 12 January 2009 which is fully underwritten and is expected to raise a net proceeds of approximately HK$103.8 million to HK$104.9 million. The Company intended to utilize part of the net proceeds amounted to approximately HK$90 million for the Hennabun Convertible Note Subscription.

After taking into account of the above, the Directors are of the view that, in the absence of unforeseen circumstances, it is reasonable to expect that the Enlarged Group will have sufficient working capital for the 12-month period from the date of the Circular. In the event that working capital of the Enlarged Group becomes insufficient, the Directors will seek additional financing, including equity and/or debt financing to provide additional working capital to the Enlarged Group.

5. Material adverse change

Save as referred to in the profit warning announcement by the Company dated 8 December 2008 and in the interim results of the Group for the six months ended 30 September 2008, the Directors are not aware of any material adverse change to the financial or trading position of the Group since 31 March 2008, the date to which the latest published audited financial statements of the Group were made up.

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

The following is the unaudited pro forma statement of consolidated net tangible assets of the Group, which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Rights Issue on the net tangible assets of the Group as if it had been undertaken and completed on 30 September 2008. This statement has been prepared for illustrative purposes only and because of its nature; it may not give a true picture of the financial position of the Group on the completion of the Rights Issue.

	Unaudited consolidated net tangible assets of the Group attributable to the Shareholders as at 30 September 2008	**Estimated net proceeds from the Rights Issue**	**Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the Shareholders after the Rights Issue Issue**	**Unaudited consolidated net tangible assets per Share as at 30 September 2008**	**Unaudited pro forma adjusted consolidated net tangible assets per Share after the Rights Issue**
	(Note 2)	*(Note 3)*		*(Note 4)*	*(Note 5)*
	HK$'000	*HK$'000*	*HK$'000*	*HK$*	*HK$*
Rights Issue of 977,317,496 Rights Shares *(Note 1)*	1,055,579	103,800	1,159,379	1.080	0.593

Notes:

1. The Rights Issue of 977,317,496 Rights Shares is based on 977,317,496 Shares in issue upon the Capital Reorganization becoming effective on 25 November 2008 (assuming no Options are exercised on or before the Record Date).

2. The unaudited consolidated net tangible assets of the Group attributable to the Shareholders as at 30 September 2008 is arrived at based on the published unaudited interim report of the Group for the six months ended 30 September 2008 of approximately HK$1,055,579,000.

3. The estimated net proceeds from the Rights Issue is calculated based on 977,317,496 Rights Shares to be issued at the Subscription Price of HK$0.11 per Rights Share, after deduction of the estimated related expenses of approximately HK$103,800,000.

4. The number of Shares used for the calculation of unaudited consolidated net tangible assets per Share is 977,317,496 as at the Latest Practicable Date. Details of the movement in number of shares from 30 September 2008 up to the Latest Practicable Date is as follows:

	No. of shares
At 30 September 2008	4,886,587,480
Capital reorganization	(3,909,269,984)
At the Latest Practicable Date	977,317,496

5. The unaudited pro forma adjusted consolidated net tangible assets per Share after the Rights Issue is calculated based on 1,954,634,992 Shares which comprises (i) 977,317,496 Shares in issue before the Rights Issue; and (ii) 977,317,496 Rights Shares expected to be issued on the completion of the Rights Issue.

鄧偉雄會計師事務所有限公司

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W.H. TANG
& PARTNERS
CPA LIMITED

27 February 2009

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

Dear Sirs,

We report on the unaudited pro forma financial information of Freeman Corporation Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 275 to 276 under the heading of "Statement of Unaudited Pro Forma Consolidated Net Tangible Assets of the Group" in Appendix III of the Company's prospectus dated 27 February 2009 (the "Prospectus") in connection with the rights issue (the "Rights Issue") of the Company on the Main Board of The Stock Exchange of Hong Kong Limited. The unaudited pro forma financial information has been prepared by the directors of the Company (the "Directors") for illustrative purposes only to provide information about how the Rights Issue might have affected the financial information of the Group as at 30 September 2008. The basis of preparation of the unaudited pro forma financial information is set out on pages 278 to 279 to the Prospectus.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND REPORTING ACCOUNTANTS

It is the responsibility solely of the Directors to prepare 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 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form 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.

BASIS OF OPINION

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the pro forma financial information with the Directors. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the pro forma financial information has been properly compiled by the Directors on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The unaudited pro forma financial information is for illustrative purpose only, based on the judgements and assumptions of the Directors, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of the financial position of the Group as at 30 September 2008 or any future date.

OPINION

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled by the Directors 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.

Yours faithfully,
W. H. Tang & Partners CPA Limited
Certified Public Accountants
Hong Kong

TANG Wai Hung
Practising Certificate Number P03525

1. RESPONSIBILITY STATEMENT

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

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date and immediately following completion of the Rights Issue (assuming no Options are exercised on or before the Record Date) were as follows:

Authorised:		*HK$*
50,000,000,000	Shares of HK$0.1 each	5,000,000,000
Issued and to be issued:		
977,317,496	Shares in issue as at the Latest Practicable Date	97,731,749.6
977,317,496	Rights Shares to be allotted and issued under the Rights Issue	97,731,749.6
961,818,181	Shares ("**Conversion Shares**") to be issued upon exercise in full the conversion rights under the convertible note in the amount of HK$105.8 to be issued by the Company at the initial conversion price of HK$0.11	96,181,818.1
2,916,453,173	Shares in issue immediately after completion of the Rights Issue and immediately following the conversion of Conversion Shares assuming the conversion rights under the convertible note will be fully exercised	291,645,317.3

All of the Rights Shares to be issued will rank pari passu in all respect with each other, including, in particular, as to dividends, voting rights and capital, and with all the Shares in issue as at the date of allotment and issue of the Rights Shares. The Rights Shares to be issued will be listed on the Stock Exchange.

No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or Rights Shares or any other securities of the Company to be listed or dealt in on any other stock exchange. There are no arrangements under which future dividends will be waived or agreed to be waived.

As at the Latest Practicable Date, save for the outstanding Options with subscription rights to subscribe for an aggregate of 9,608,900 Shares, the Company has no derivatives, options, warrants, conversion rights or other similar rights which are convertible or exchangeable into Shares.

Save as disclosed above, the Company did not have any other options, warrants or other convertible securities or rights affecting the Shares and no capital of any member of the Group is under option, or agreed conditionally or unconditionally to put under option as at the Latest Practicable Date.

3. DISCLOSURE OF INTERESTS

(a) Interests of Directors

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), the Model Code for Securities Transactions by Directors of Listed Companies and which were required to be entered into the register required to be kept under section 352 of the SFO were as follows:–

Long positions in Shares

Name of Director	Capacity	Number of Shares	Approximate percentage of shareholding
Yang Fan Shing, Andrew	Beneficial owner	400,000	0.04%
Yang Fan Shing, Andrew	Interest of spouse	140,000	0.01%
Kwok Wai Ming	Beneficial owner	4,668,000	0.48%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company had any interests and short positions in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), the Model Code for Securities Transactions by Directors of Listed Companies and which were required to be entered into the register required to be kept under section 352 of the SFO.

(b) Interests of Shareholders

As at the Latest Practicable Date, so far as is known to the Directors and the chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the Shares and underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly interested in 10 per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at a general meeting of any member of the Group.

(i) Interest in the Shares and underlying Shares:

Long positions in Shares

Name of Shareholder	Capacity	Number of Shares	Approximate percentage of shareholding
Willie International Holdings Limited *(Note 1)*	Interest of controlled corporation	87,721,360	8.98%
Get Nice Holdings Limited *(Note 2)*	Interest of controlled corporation	986,926,396	50%
Get Nice Incorporated *(Note 2)*	Interest of controlled corporation	986,926,396	50%
Get Nice Securities Limited *(Note 2)*	Beneficial owner	986,926,396	50%

Note 1: These shares held by Pearl Decade Limited, which is wholly-owned by Nice Hill International Limited, which in turn is a wholly-owned subsidiary of Rawcliffe International Limited, which in turn is a wholly-owned subsidiary of Willie International Holdings Limited (stock code: 273) whose shares are listed on the main board of the Stock Exchange.

Note 2: These are the Rights Shares which the Underwriter has agreed to underwrite in respect of the Rights Issue (assuming all of the Options are exercised on or before the Record Date). The Underwriter is wholly-owned by Get Nice Incorporated which in turn is wholly-owned by Get Nice Holdings Limited. The percentage of shareholding in the Company is calculated on the basis of 1,973,852,792 Shares in issue immediately after the Rights Issue (assuming all of the Options are exercised on or before Record Date and the Underwriter takes up the Rights Shares to the maximum extent).

Save as disclosed above, the Directors and the chief executives of the Company are not aware that there is any person (other than a Director or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10 per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at a general meeting of any other member of the Group.

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

None of the Directors has any direct or indirect interests in any assets which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2008, being the date to which the latest published audited consolidated accounts of the Group were made up.

None of the Directors was materially interested in any asset, contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date which was significant in relation to the business of the Group.

5. 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 this prospectus and are or may be material:

(i) a conditional placing agreement dated 16 February 2007 entered into between the Company and Kingston Securities Limited relating to a placing of 346,000,000 new shares in the capital of the Company at a price of HK$0.10 per share on an underwritten basis;

(ii) a conditional placing agreement dated 16 February 2007 entered into between the Company and Kingston Securities Limited relating to a placing of 654,000,000 new shares in the capital of the Company at a price of HK$0.10 per share on a best efforts basis;

(iii) an underwriting agreement dated 23 March 2007 entered into between the Company and Get Nice Securities Limited relating to an underwriting of not less than 1,236,986,824 rights shares and not more than 1,563,986,824 rights shares at HK$0.12 per share on a fully underwritten basis;

(iv) a placing agreement dated 21 May 2007 between the Company and Get Nice Securities Limited relating to a placing of 494,000,000 new shares in the capital of the Company at a price of HK$0.13 per share;

(v) a sale and purchase agreement dated 29 June 2007 entered into between the Company and Mr. Chuang, Eugene relating to the sale and purchase of 100% of the entire issued share capital of Equity Spin, a wholly-owned subsidiary of the Company and the shareholder loan owed by Equity Spin to the Company at a consideration of HK$50,000,000;

(vi) a placing agreement dated 29 June 2007 entered into between the Company and Chung Nam Securities Limited relating to a placing of 1,086,552, 000 new shares in the capital of the Company at a price of HK$0.182 per share;

(vii) a conditional placing agreement dated 11 July 2007, a supplemental agreement dated 20 August 2007 and termination deed dated 3 December 2007 entered into between the Company and Chung Nam Securities Limited relating to a placing of redeemable zero coupon convertible notes due 2011 in an aggregate principal amount of up to HK$1,500,000,000 with the initial conversion price of HK$0.12 per share;

(viii) a joint venture agreement dated 3 September 2007 entered into between Freeman Caring Assets Management Limited ("FCAML"), a wholly-owned subsidiary of the Company, and 北京王鼎市場營銷咨詢有限公司 ("JV Partner") relating to the establishment of a sino-foreign equity joint venture company in the PRC with registered share capital of RMB50,000,000 of which FCAML will contribute RMB35,000,000 and the JV Partner will contribute RMB15,000,000, representing 70% and 30% respectively;

(ix) a heads of agreement dated 22 October 2007 entered into between Freeman Financial Corporation ("FFC"), a wholly-owned subsidiary of the Company, and Evolution Master Fund Ltd. SPC, Segregated Portfolio M relating to the sale and purchase of 20% of the entire issued share capital of FFSL, a company wholly-owned by FFC, at a consideration of HK$120,000,000;

(x) a deed of settlement dated 29 October 2007 entered into among two subsidiaries of the Company (namely, Cinergy Holdings Limited and Cinergy Financial Services Limited), Dr. Yang Fan Shing, Andrew (the Chairman of the Company), Ms. Yang Wai Yan, Veronica, Ms. Yang Wai Shan, Elsa, (who being directors of Cinergy Holdings Limited and Cinergy Financial Services Limited), Mr. To King Wah, Joseph and Sun Life Hong Kong Limited ("Sun Life") relating to the settlement of the arbitration proceedings among the above-mentioned parties. The arbitration proceedings was attributable to the disputes among the parties arising from providing financial support by Sun Life to Cinery Holdings Limited for the purpose of establishing a general agency structure for carrying on the business of providing services to customers on or in connection with the marketing and sale of insurance and other financial products of Sun Life. Pursuant to this deed of settlement, the Group had paid HK$6.3 million to Sun Life Hong Kong Limited;

(xi) an underwriting agreement dated 3 December 2007 (as amended by supplemental agreement dated 4 December 2007 and 21 May 2008) entered into between the Company and Get Nice Securities Limited in relation to the underwriting of not less than 4,072,156,235 rights shares of the Company at a price of HK$0.12 per each rights share. The estimated net proceeds were not less than HK$474.3 million;

(xii) a deed of settlement dated 24 September 2008 (a amended by a supplement agreement dated 26 September 2008) entered with Winning Horsee Limited ("WHL"), a wholly owned subsidiary of Radford Capital Investment Limited ("RCIL") (stock code: 901), pursuant to which WHL agreed to procure that RCIL issues a convertible bond to the Group in full and final settlement of a loan of HK$25 million;

(xiii) a sales and purchase agreement dated 23 October 2008 between Easy Step Limited ("ES"), a wholly-owned subsidiary of the Company, and Dai Sun Jewellery Company Limited ("DSJ"), pursuant to which ES agreed to purchase and DSJ agreed to sell the property located at unit 2801 on 28th floor, China United Centre, no. 28 Marble Road, North Point, Hong Kong, for a cash consideration of HK$14,177,500;

(xiv) a sales and purchase agreement dated 7 November 2008 between Easy Step Limited (ES), a wholly-owned subsidiary of the Company, and Workable Holdings Company Limited ("WH"), pursuant to which ES agreed to purchase and WH agreed to sell the property located at unit 2802 on 28th floor, China United Centre, no. 28 Marble Road, North Point, Hong Kong, for a cash consideration of HK$10,720,200;

(xv) a sale and purchase agreement entered into between Freeman Financial Services Limited ("FFSL") being a wholly-owned subsidiary of the Company, Mr. Chuang Eugene Yue-chien ("Mr. Chuang") being the beneficial owner of Equity Spin, and Equity Spin on 25 November 2008, pursuant to which FFSL agreed to purchase and Equity Spin agreed to sell 3,937,133,333 shares of Hennabun, representing approximately 79.46% of the entire issued share capital of Hennabun, for a consideration of HK$105.8 million;

(xvi) the subscription agreement entered into between FFSL, Mr. Chuang and Hennabun on 25 November 2008, pursuant to which FFSL agreed to subscribe for and Hennabun agreed to issue a convertible note in the principal amount of HK$250 million as amended by a supplemental agreement between the same parties dated 23 January 2009; and

(xvii) the Underwriting Agreement.

6. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has entered into any service agreement with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

7. LITIGATION

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

8. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and his/her respective associates was considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group other than those businesses to which the Directors and his/her associates were appointed to represent the interests of the Company and/or the Group.

9. CORPORATE INFORMATION

Registered office of the Company	Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands
Principal place of business of the Company in Hong Kong	8th Floor, China United Centre 28 Marble Road, North Point, Hong Kong
Authorised representatives	Ms. Kwok Wai Ming 8th Floor, China United Centre 28 Marble Road, North Point Hong Kong Mr. Chan Hon Wan 8th Floor, China United Centre 28 Marble Road, North Point Hong Kong

Company secretary	Mr. Chan Hon Wan
The Hong Kong branch registrar and transfer office of the Company	Tricor Secretaries Limited 26th Floor, Tesbury Centre 28 Queen's Road East Wanchai, Hong Kong
Legal advisers to the Company	Richards Butler in association with Reed Smith LLP 20th Floor, Alexandra House 16-20 Chater Road, Hong Kong
Auditors	Ernst & Young *Chartered Accountants* *Certified Public Accountants* 18th Floor, Two International Finance Centre 8 Finance Street, Central, Hong Kong
Principal bankers	Bank of Communications 20 Pedder Street, Central, Hong Kong Bank of East Asia 10 Des Voeux Road Central, Hong Kong The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central, Hong Kong

PARTICULARS OF DIRECTORS

Executive Directors

Dr. Yang Fan Shing, Andrew, aged 67, of 8th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong, joined the Company as executive Director and Chairman of the Company in October 2006. Dr. Yang holds a Doctor of Humanities degree from the Bulacan State University in the Republic of the Philippines and a Doctor of Divinity degree from the Central Baptist Theological Seminary in the United States. Dr. Yang has spent over 49 years in the insurance industry. Dr. Yang had previously held key executive roles in major insurance companies in Hong Kong.

As at the Latest Practicable Date, Dr. Yang together with his associates were interested in an aggregate of 540,000 Shares, representing approximately 0.05% of the issued share capital of the Company. Save for being an executive Director, Dr. Yang has not held any directorships in other public listed companies in the last three years. Dr. Yang does not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company or its subsidiaries.

Mr. Lo Kan Sun, aged 55, of 8th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong, joined the Company as executive Director of the Company in June 2008 and was re-designated as Managing Director in November 2008. Mr. Lo holds a Master's degree in Business Administration from Indiana University in the United States of America ("USA") and a Bachelor's degree in Electrical Engineering from University of Illinois, USA. He has over 29 years of experience in finance, investment and banking in Hong Kong and Canada. Mr. Lo was an executive director of Willie International Holdings Limited, another listed public company in Hong Kong until he resigned in April 2008. Save for disclosed herein, Mr. Lo has not held any directorships in other public listed companies in the last three years.

As at the Latest Practicable Date, Mr. Lo did not hold Shares under the provisions of Divisions 2 and 3 of Part XV of the SFO. Mr. Lo does not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company or its subsidiaries.

Ms. Kwok Wai Ming, aged 45, of 8th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong, joined the Company as executive Director in December 2005. Ms. Kwok is a lawyer and member of the Hong Kong Law Society. She has been appointed as executive director and legal consultant of various public listed companies since 1993. Ms. Kwok has over 16 years' professional experience in investment holdings, corporate finance and mergers and acquisitions. She is as the legal consultant of a state owned company in China namely, China National Real Estate Development Group Corporation and was appointed as the honorary consul of Ukraine in Hong Kong in 2003.

As at the Latest Practicable Date, Ms. Kwok Wai Ming held 4,668,000 Shares, representing approximately 0.48% of the issued share capital of the Company. Save for disclosed herein, Ms. Kwok has not held any directorships in other public listed companies in the last three years. Ms. Kwok does not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company or its subsidiaries.

Ms. Au Shuk Yee, Sue, aged 44, of 8th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong, joined the Company as executive Director in June 2006. Ms. Au has obtained a bachelor's degree of science in accounting from Liberty University, Virginia and has more than 11 years of experience in business administration and accounting. Previously, Ms. Au was the managing director of a telecommunication equipment manufacturing and trading company and was the Chief Executive Officer of a listed company before joining the Company.

Save as disclosed herein, Ms. Au has not held any directorships in other public listed companies in the last three years. As at the Latest Practicable Date, Ms. Au did not hold Shares under the provisions of Divisions 2 and 3 of Part XV of the SFO. Ms. Au does not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company or its subsidiaries.

Mr. Scott Allen Phillips, aged 42, of 8th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong, joined the Company as executive Director in October 2008. Mr. Phillips holds a Master's degree in Business Administration from Illinois State University in USA and a Bachelor's degree in Science, Industrial Technology from Southern Illinois University in USA. Mr. Phillips has over 19 years of experience in investment banking in USA, China and Hong Kong.

As at the Latest Practicable Date, Mr. Phillips did not hold Shares under the provisions of Divisions 2 and 3 of Part XV of the SFO. Save for being an executive Director, Mr. Phillips has not held any directorships in other publicly listed companies in the last three years. Mr. Phillips does not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company or its subsidiaries.

Alternate Director to Ms. Kwok Wai Ming

Ms. Chong Wing Sze, aged 34, of 8th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong, joined the Company as alternate Director to Ms. Kwok Wai Ming in October 2008. Ms. Chong holds a Bachelor's Degree in Law, a Master's Degree in Law from University of Warwick, United Kingdom. Ms. Chong is the legal officer of the Company and executive director of certain of the Company's subsidiaries.

Save for the appointment as alternate director to Ms. Kwok, Ms. Chong has not held any directorships in other public listed companies in the last three years. As at the Latest Practicable Date, Ms. Chong did not hold Shares under the provisions of Divisions 2 and 3 of Part XV of the SFO. Ms. Chong does not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company or its subsidiaries.

Non-executive Director

Mr. Kwong Wai Tim, **William**, aged 52, of Unit D, 21/F., Tower 3, Sky Tower, 38 Sung Wong Toi Road, To Kwa Wan, Kowloon, Hong Kong, joined the Company as managing Director in November 2000 and was redesignated as the non-executive Director in November 2008. He holds a MBA degree from the University of Oregon, United States of America. Mr. Kwong has over 16 years of experience in banking and corporate finance gained with major international financial institutions including Citicorp, Bankers Trust, Credit Lyonnais Asia Limited and The New China Hong Kong Capital Limited. He was a member of the Council of the Stock Exchange from 1995 to 1997 and a Director and Chairman of the Finance Committee of Hong Kong Securities Clearing Company Limited from 1996 to 1997. He is also an independent non-executive director of Forefront Group Limited, a listed public company in Hong Kong.

Save as disclosed herein, Mr. Kwong has not held any directorship in other public listed companies in the last three years. As at the Latest Practicable Date, Mr. Kwong did not hold Shares under the provisions of Division 2 and 3 of Part XV of the SFO. Mr. Kwong does not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company or its subsidiaries.

Independent non-executive Directors

Mr. Chiu Siu Po, aged 59, of Flat B, 4th Floor, Block B18, Village Gardens Phase C, 44 Fa Po Street, Kowloon, Hong Kong, joined the Company as independent non-executive Director in January 2006. He has over 21 years' experience in textile industry and has extensive corporate and investment experience in both Hong Kong and the PRC markets.

Mr. Chiu has not held any directorship in other public listed companies in the last three years. As at the Latest Practicable Date, Mr. Chiu did not hold Shares under the provisions of Division 2 and 3 of Part XV of the SFO. Mr. Chiu does not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company or its subsidiaries.

Ms. Hui Wai Man, Shirley, aged 41, of 1C, 2/F., Baker Street, Hunghom, Kowloon, Hong Kong joined the Company as independent non-executive Director in February 2006. Ms. Hui is a practicing accountant in Hong Kong. She has over 21 years of professional experience in public accounting and corporate finance. She is a fellow of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants, The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. She is also a non-executive director and chairlady of Eco-Tek Holdings Limited and the independent non-executive Director of (i) Fortuna International Holdings Limited (ii) New Media Group Holdings Limited & (iii) Mascotte Holdings Limited, which are listed public companies in Hong Kong.

Save as disclosed herein, Ms. Hui has not held any directorship in other public listed companies in the last three years. As at the Latest Practicable Date, Ms. Hui did not hold Shares under the provisions of Division 2 and 3 of Part XV of the SFO. Ms. Hui does not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company or its subsidiaries.

Mr. Gary Drew Douglas, aged 59, of 2-10-14-402 Mita, Meguro-Ku, Tokyo 153-0062, Japan, joined the Company as independent non-executive Director in February 2006. Mr. Douglas holds a Master's Degree in Business Administration from University of Santa Clara, USA. He is currently an Independent Management Consultant. He has over 21 years of professional experience in general management, IT business, project management methodology and software, and commercial and retail banking in Japan and United States of America. Mr. Douglas previously was Executive Director of Tack Fat Group International Limited.

Save as disclosed herein, Mr. Douglas has not held any directorship in other public listed companies in the last three years. As at the Latest Practicable Date, Mr. Douglas did not hold Shares under the provisions of Division 2 and 3 of Part XV of the SFO. Mr. Douglas does not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company or its subsidiaries.

Mr. Peter Temple Whitelam, aged 79, of 8B, 18 Queen's Road East, Wanchai, Hong Kong, joined the Company as independent non-executive Director in November 2006. Mr. Whitelam is a specialist consultant in global branding and international communications. After graduating from Pembroke College, Oxford University, he joined the BBC before winning a Fulbright Scholarship to study educational radio and television in the United States. Following four years at NBCTV in New York, he began a long career in advertising, creating national and international campaigns for such clients as British Airways, Unilever, Nabisco, ESPN, Colgate, Cadbury, General Motors, American Express, Nomura Securities, and the Bank of Montreal. Mr. Whitelam has worked as a creative strategist in Boston, New York, London, Montreal, Toronto, Tokyo and Taiwan and received international awards for his ideas. Recently he has been developing brand strategies both for companies and government agencies. This is combined with his knowledge and interest in documentary film. Mr. Whitelam has a long time acquaintance with Asia, having visited and worked in eight different countries in the Asia Pacific region. He is also Chairman and Executive Director of Mascotte Holdings Limited.

Save as disclosed herein, Mr. Whitelam has not held any directorship in other public listed companies in the last three years. As at the Latest Practicable Date, Mr. Whitelam did not hold Shares under the provisions of Division 2 and 3 of Part XV of the SFO. Mr. Whitelam does not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company or its subsidiaries.

10. EXPERTS AND CONSENTS

The following is the qualification of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualification
Ernst & Young	Certified Public Accountants
W. H. Tang & Partners CPA Limited	Certified Public Accountants
Mazars CPA Limited	Certified Public Accountants
Deloitte Touche Tohmatsu	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 to subscribe for or to nominate persons to subscribe for shares in any member of the Group, or any interests, directly or indirectly, in any assets which have been acquired, disposed of or leased to or which are proposed to be acquired, disposed of or leased to any member of the Group since 31 March 2008, the date to which the latest published audited financial statements of the Group were made up.

Each of the above experts has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion therein of its reports and references to its name in the form and context in which they appear.

11. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

A copy of this prospectus having attached thereto the PAL and the EAF and the written consents of W.H. Tang & Partners CPA Limited, Deloitte Touche Tohmatsu, Ernst & Young and Mazars CPA Limited have been registered by the Registrar of Companies in Hong Kong pursuant to section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong).

12. BINDING EFFECT

The Prospectus Documents, and all acceptances of any offer or application contained in such documents, are governed by and shall be construed in accordance with the laws of Hong Kong. Where an application is made in pursuance of any such documents, the relevant document(s) shall have the effect of rendering all persons concerned bound by the provisions, other than the penal provisions, of Section 44A and 44B of the Companies Ordinance, so far as applicable.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the registered office of the Company at 8th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong up to and including the date of this prospectus:

(i) the memorandum and articles of association of the Company;

(ii) the annual reports of the Company for the three financial years ended 31 March 2006, 31 March 2007 and 31 March 2008;

(iii) the letter on the unaudited pro forma financial information of the Group issued by W.H. Tang & Partners CPA Limited set out in appendix III to this prospectus;

(iv) the material contracts disclosed in the paragraph under the heading "Material Contracts" in this appendix;

(v) the written consents referred to in the paragraph under the heading "Experts and Consents" in this appendix; and

(vi) the following circulars of the Company:

(a) the circular dated 9 February 2009 in relation to the Rights Issue;

(b) the circular dated 30 January 2009 in relation to a very substantial acquisition – acquisition of approximately 79.46% of the entire issued share capital of Hennabun;

(c) the circular dated 25 November 2008 in relation to a discloseable transaction – acquisition of property;

(d) the circular dated 18 November 2008 in relation to a discloseable transaction – acquisition of property;

(e) the circular dated 14 October 2008 in relation to a discloseable transaction – subscription of convertible bonds; and

(f) the circular dated 26 September 2008 in relation to a discloseable transaction – provision of financial information.

14. MISCELLANEOUS

The English text of this prospectus shall prevail over their Chinese text in case of inconsistencies.